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EU's Florence summit to focus on unemployment

European Union leaders will attempt to focus on Europe's 18m unemployed and the stalled conference on the future political shape of the continent at the two-day leaders' summit beginning in Florence, Italy, today. The crisis over British beef had threatened to dominate proceedings but Italy, which holds the EU presidency, was confident the dispute was close to being settled. Florence talks await UK's ceasefire, Page 3; Time to strike a deal, Page 12; Observer, Page 13

Bonn and Paris warned over Emu: The Organisation for Economic Co-operation and Development said France and Germany need to work harder at cutting government borrowing if they are to meet targets for joining a single European currency. Page 14

US threat to block Boutros-Ghali: The US may use its veto to block Boutros Boutros-Ghali taking up a second five-year term as United Nations secretary-general. Page 5; Observer, Page 13

India rejects global nuclear pact: India said it would not sign a global nuclear test ban treaty but would not block the treaty negotiations due to end next week. Page 14

Renault to quit Formula One: French vehicles group Renault will quit Formula One grand prix motor racing at the end of next season, after eight seasons – leaving the leading Williams and Benetton teams to seek new engine suppliers. Page 16

Flash floods kill eight in Italy

At least eight people were killed after swollen rivers swept away cars, flooded houses and cut off villages in western Tuscany. Police recovered the bodies of several people buried in mudslides in the provinces of Lucca and Massa after the worst flooding since 59 people were killed in 1994.

Coca-Cola in talks with Carlsberg: Coca-Cola is negotiating with Carlsberg, the Danish brewery group, over co-operation in Sweden and Norway after severing its ties earlier this week with Pripps Ringnes of Norway. Page 15

Canal Plus to end Bertelsmann deal: French pay-television group Canal Plus plans to end an "exclusive" arrangement with Bertelsmann to develop subscription TV throughout Europe, saying the German media group had breached the agreement. Page 15

Lloyd's of London has agreed a bank loan facility worth up to £300m ($460m) to help fund its ambitious recovery plan – including any shortfalls caused by the legal action in the US. Page 7

Clinton maintains poll lead: A Washington Post/ABC News survey showed President Bill Clinton leading the likely Republican nominee Bob Dole by 20 points, disappointing Republicans hoping that the Whitewater affair and other problems for the White House had damaged Mr Clinton's chances of re-election in November. Page 6

China warns Germany over criticism: China warned Germany that relations would become more difficult after the lower house of parliament criticised China's human rights record and "the violent suppression of Tibet". Page 2

Move to save shipbuilding deal: US trade partners are attempting to salvage an international agreement to curb shipbuilding subsidies, threatened by US Congress approval of legislation which would undermine some provisions. Page 3

Nigerian state leader killed in air crash: Eleven people, including the military administrator of Nigeria's Kano state, Colonel Mohammed Wase, were killed when their jet crashed near the central Nigerian city of Jos as it was preparing to land. Nigerian parties apply to register with military. Page 5

England hit back: England's cricket team recovered from a shaky start to score 238-5 on the first day of the second crciket Test against India at Lord's, London. Graham Thorpe was top scorer with 85 not out. England are 1-0 up in the three-match series.

■ **STOCK MARKET INDICES**

New York lunchtime		
Dow Jones Ind Av	5,638.11	(-9.24)
NASDAQ Composite	1,154.89	(-24.38)
Europe and Far East		
CAC40	2,077.08	(-23.62)
DAX	2,539.67	(-14.62)
FT-SE 100	3,727.5	(-25.7)
Nikkei	22,437.30	(+69.94)

■ **US LUNCHTIME RATES**

Federal Funds	$5\frac{5}{8}$%
3-mth Treas Bills: Yld	5.28%
Long Bond	$86\frac{3}{32}$
Yield	7.13%

■ **OTHER RATES**

UK: 3-mo Interbank	$5\frac{27}{32}$%	($5\frac{25}{32}$%)
UK: 10 yr Gilt	$95\frac{23}{32}$	(same)
France: 10 yr OAT	104.31	(104.37)
Germany: 10 yr Bund	97.09	(97.16)
Japan: 10 yr JGB	98.0505	(98.2905)

■ **NORTH SEA OIL (Argus)**

Brent Dated	$18.16	(18.42)

■ **GOLD**

New York: Comex		
Aug	$386.3	(386.5)
London:		
close	$384.4	(385.3)

■ **DOLLAR**

New York: lunchtime		
£	1.5415	
DM	1.52345	
FFr	5.1665	
SFr	1.254	
Y	108.05	
London:		
£	1.5416	(1.5438)
DM	1.5244	(1.5207)
FFr	5.1685	(5.1586)
SFr	1.2548	(1.2518)
Y	108.24	(108.135)

■ **STERLING**

DM	2.35	(2.3476)
Tokyo $ close:	Y 107.9	

Albania	LEk 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kč60	India	Rs75	Nigeria	Naira90	Spain	Pta250		
Denmark	DKr18	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00		
Finland	FM15.50	Jordan	JD1.50	Poland	Zł 5.50	Tunisia	Din1.750		
France	FFr11.50	Kuwait	Fils 650	Portugal (m'land)	Es240	Turkey	L80,000		
		Lebanon	LL3,000			UAE	Dh12.00		

Attempt to derail election feared after arrest of presidential staff

Yeltsin fires three top Kremlin hardliners

By Chrystia Freeland and John Thornhill in Moscow

Alexander Lebed in Moscow yesterday. The popular retired general had a decisive role in the events, remarking at one stage: 'Any mutiny will be crushed, and crushed with extreme severity.' Picture: AP

Russian president Boris Yeltsin yesterday crushed the hardline faction in the Kremlin, unexpectedly sacking the three top hawks in his administration, including his closest personal friend and chief bodyguard.

Mr Yeltsin's liberal supporters, who have been locked in a bitter struggle with the hardliners for the past five years, celebrated the dismissals and said the move would guarantee the president's re-election on July 3.

But Mr Gennady Zyuganov, the Communist challenger for the presidency, was also in a jubilant mood, predicting that the upheavals in the Yeltsin camp would revive his own fading electoral fortunes.

The startling political realignment reflects the emergence of a new star in the Kremlin, Mr Alexander Lebed, who finished in third place in the first round of presidential voting last Sunday and joined the government this week. The popular retired general played a decisive role in yesterday's drama.

The catalyst for the shake-up was the bizarre detention of two prominent members of Yeltsin's campaign staff by uniformed presidential guards.

The aides were picked up on Wednesday evening in the grounds of the White House, the government headquarters, and held for 11 hours, allegedly because they were carrying $500,000 in cash in a suitcase.

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A real choice for Russia .... Page 12
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But Russia's leading liberals, who feared the arrests were the prelude to a hardline effort to derail the second round of voting, rallied to the men's defence, publicising the situation in night-time television broadcasts.

One of the most influential voices was that of Mr Lebed, who took to the airwaves at 3.30am, warning in his trademark growl: "Attempts are being made to wreck the second round, that is my first impression... Any mutiny will be crushed, and crushed with extreme severity."

The two detained campaign staffers were released early yesterday morning, but the serious political fallout did not come until the afternoon, when Mr Yeltsin appeared briefly on television to announce he was sacking the three hardliners who have been among his closest political allies.

Those sacked were: Mr Oleg Soskovets, first deputy prime minister and leader of the defence industry lobby; General Alexander Korzhakov, the chief of the presidential guard andMr Yeltsin's regular bath-house companion; and General Mikhail Barsukov, the head of the Federal Security Service, the revamped successor to the KGB which was behind the recent expulsion of several British diplomats from Moscow.

Mr Anatoly Chubais, the architect of Russia's mass privatisation drive who was ignominiously dropped from the cabinet earlier this year but has re-emerged as one of the leading figures in Mr Yeltsin's election campaign, hailed the moves as a triumph for democracy and market reforms.

"I am profoundly convinced that the victor in the July 3 elections will be not just President Yeltsin, but a new Yeltsin, with a renovated team capable of leading Russia to the year 2000," he said.

However, Communist leaders, who have appeared pessimistic about their electoral prospects following Mr Yeltsin's slight lead on Sunday, appeared equally confident that the turmoil in the Kremlin would guarantee them victory.

"It seems that Mr Yeltsin has realised he has no chances in the elections and so he and his team have decided to engage in court politics... and are turning all the country into a comedy show," said Mr Zyuganov.

China to move on currency convertibility

Year-end target set for 'important step forward'

By Tony Walker in Beijing

China is to make its currency convertible on the current account by the end of this year, well ahead of a previous target of 2000.

Mr Doug Scott, chief representative in Beijing of the International Monetary Fund, described China's announcement yesterday as "an important step forward". He said it reflected the government's confidence in stabilisation measures introduced in mid-1993 to curb inflation and preserve robust economic growth.

Convertibility on the current account will facilitate trade financing, remittances of profits and payments for services such as shipping, insurance and banking, including dividend and interest payments.

China has not indicated when its currency might be convertible on the capital account for purposes such as investment. IMF representatives believe it will be "some years" before the Chinese yuan is freely tradeable internationally.

Mr Dai Xianglong, governor of the People's Bank of China, the central bank, also announced that an experiment introduced in April to ease foreign exchange transactions by foreign funded enterprises would be extended throughout China by the end of the year.

At present, the experiment permits such firms in Shanghai, Dalian, Shenzhen and Jiangsu, east of Shanghai, to buy and sell foreign exchange through the banking system.

Foreign-funded ventures in other locations are obliged to secure foreign currency at "swap centres" and not through the banks. Trading is strictly monitored by the State Administration of Exchange Control (SAEC) which subjects enterprises to an annual "foreign exchange audit".

China's decision to move earlier to currency convertibility on the current account should help facilitate equity investments in infrastructure especially those involving build-operate-transfer (BOT) schemes. Among impediments have been worries about securing foreign exchange guarantees for remitting profits.

The central bank governor said earlier this month that China planned to make its currency convertible in time for a joint meeting of the IMF and World Bank to be held in Hong Kong later next year. Beijing wished to comply with the IMF's Article 8 which specifies requirements for convertibility.

Mr Dai said current account convertibility would help promote China's foreign trade and would also be conducive to China's efforts to attract more foreign investment. It would also boost the public's confidence in the stability of the yuan.

● China's foreign exchange reserves reached $85bn at the end of May compared with $21.2bn at the end of 1993. China's foreign debt stands at $110bn.

Westinghouse to acquire 44 radio stations in $3.8bn deal

By Richard Waters in New York

Westinghouse Electric yesterday took another step in its transformation from a broad-based industrial conglomerate to a pure media company with the announcement that it would pay $3.8bn in stock to acquire the biggest radio group in the US.

Infinity, which has extended its own reach through a string of acquisitions of its own, will bring the company 44 radio stations, lifting its total to 83. Some 69 of these will be in the country's 10 biggest advertising markets.

The deal is the latest in a string of multi-billion dollar takeovers to have been sparked by this year's Telecommunications Act, which lowered or removed barriers to competition in the US telephone and media industries.

The act, passed in February, removed the restrictions on radio station ownership to allow companies to control up to eight stations in each local market.

The acquisition will lift Westinghouse's radio advertising revenues to $1bn a year, or around 8 per cent of the total industry. That will make it as large as the next four biggest radio station owners combined, said one Westinghouse adviser.

However, the company does not expect US antitrust authorities to object to the deal. Radio accounts for only 7 per cent of all US advertising revenues, and is a highly fragmented industry, said Mr Mel Karmazin, chairman of Infinity.

By controlling a number of stations in the same market, Westinghouse said it expected to be able to attract a bigger share of the advertising available, and to be able to compete better with newspapers for advertising spending. Radio industry advertising revenues are reckoned to be growing at around 10 per cent a year, faster than the 7 per cent growth rate in US advertising spending generally.

For Mr Michael Jordan, Westinghouse chairman, the acquisition represents a second opportunistic move in less than a year to become a significant force in the US broadcast industry.

Last summer, Mr Jordan masterminded a $5.4bn acquisition of CBS, the network television group. Together with the Infinity acquisition, that has helped make Westinghouse the biggest owner of television and radio stations in the US.

Mr Jordan yesterday said that Westinghouse would continue to focus on being a distributor of programmes, rather than a producer. Just two weeks ago, Westinghouse said it was considering a separation of its broadcasting and industrial businesses, in part to give its broadcasting business a better currency to mount future acquisitions.

Despite the Telecommunications Act, Westinghouse will still need dispensation from the Federal Communications Commission to complete the deal.

Lex, Page 14

News Corp breaks into Japan with stake in TV group

By Michiyo Nakamoto in Tokyo

News Corp is to become the first foreign media company to acquire a large holding in a Japanese broadcaster by taking a stake in Asahi National Broadcasting.

The Australian media company headed by Mr Rupert Murdoch is setting up a joint venture company with Softbank, a Japanese personal computer software wholesaler, to buy 21.4 per cent of the Japanese TV station.

The two companies are paying Y41.75bn ($383m) to acquire the stake, from Obunsha Media, a stock holding company owned by Obunsha, a Japanese publisher. Their venture will be the largest shareholder in Asahi.

The move could help News Corp's ambitions in the Japanese market. Last week it said it would launch a digital satellite broadcasting service, offering at least 100 channels, in Japan within two years.

For that project to succeed, Mr Murdoch needs the co-operation of Japanese broadcasters in order to provide programmes suited to the Japanese market.

The purchase is the first time a foreign media company has taken a large stake in a Japanese broadcaster. Although the foreign shareholdings in Nippon Television Network and Tokyo Broadcasting System – both of which are publicly listed companies – amount to 16.6 per cent and 19.9 per cent respectively, no foreign media company is known to own a large stake in either company.

Japanese law prohibits foreigners from owning more than 20 per cent of a broadcaster. However, the Ministry of Posts and Telecommunications, which has jurisdiction over broadcasting, said it did not believe the acquisition would breach Japanese law.

News Corp is acquiring half the 21.4 per cent stake and is doing so through a joint venture company which is likely to be established in Japan and therefore considered a Japanese concern.

Asahi, which broadcasts

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John Thornhill and **Chrystia Freeland** on a night of Russian drama

Showdown in the Kremlin dark

When he voted at school number 1130 in a Moscow suburb in Russia's election for president on Sunday, Mr Boris Yeltsin was flanked by two of his most enduring political allies: Mr Alexander Korzhakov, his chief bodyguard-cum-confidant, and Mr Mikhail Barsukov, head of the FSB, heir to the feared KGB.

Just four days later, after an extraordinary upheaval in the Kremlin, Mr Yeltsin abruptly sacked both men yesterday amid allegations that they were planning to postpone the second round of the elections and use force to retain power.

Mr Yeltsin also dumped their "spiritual mentor" Mr Oleg Soskovets, a deputy prime minister and the second most senior minister in his government.

At one stroke, the president eliminated a powerful and allegedly corrupt clique which has dominated the Kremlin for the past four years, backed the military invasion of Chechnya, and badly tarnished the president's reputation.

The liberal wing among Mr Yeltsin's aides, which has been battling with periodic success to prise the president from this clique's clutches, was quick to proclaim an historic victory. Democratic principles had triumphed over the threat of authoritarian force just two weeks before the critical second round of the presidential elections, they claimed.

Mr Anatoly Chubais, the former privatisation minister, who remains a leading liberal member of Mr Yeltsin's team, said: "This event marks the final stage of a long and arduous struggle, the struggle between that part of Yeltsin's administration which worked to ensure Yeltsin's victory in a democratic election and that part of Yeltsin's administration which preferred to use force."

The final act of this factional struggle began on Wednesday night when members of Mr Korzhakov's presidential security guard seized two of Mr Yeltsin's senior campaign aides outside the White House, the government headquarters.

The two men, Mr Arkady Evstafyev, a former Chubais aide and television executive, and Mr Sergei Lisovsky, a rock club manager and advertising impresario, had played a prominent role in the president's slick election campaign.

General Mikhail Barsukov: four-star general spent entire career in security services, first in Soviet KGB and then as head of Federal Security Service, the revamped Russian KGB, from 1995. Arch hardliner thought to be behind the recent expulsion of nine British diplomats.

General Alexander Korzhakov: burly 46-year-old ex-KGB agent, one of president's closest friends, giving him greater influence over Yeltsin than official role as chief of the presidential guard. Sided with Yeltsin even during dangerous period when he was forced out of politburo by Gorbachev.

Oleg Soskovets: former manager of Kazakhstan metallurgical plant and a first deputy prime minister since 1993. One of the hardline troika that included Korzhakov and Barsukov. Powerful voice for defence sector and industry and connected with many top Russian industrial managers.

For the hardline Kremlin faction, the two entrepreneurs were convenient targets. Both were associated with Mr Chubais's liberal faction, had contacts in what many regard as the shadier corners of the business world, and were alleged to have had huge amounts of cash in their possession which they could not explain away.

The security guards interrogated them for several hours, in an attempt, it seems, to unearth compromising material about Mr Victor Chernomyrdin, the prime minister, and Mr Chubais, and to discredit them all in the eyes of the president.

It is not clear what the hardline faction planned to do next. But liberal supporters argue Mr Korzhakov's grouping has long had a gloomy assessment of Mr Yeltsin's chances of re-election and were urging the president to abandon his democratic advisers, postpone the elections and rule by force.

The liberal faction feared the arrests might prove the pretext for further moves against them and fed the news to their allies in the main television channels, which immediately publicised the affair.

At this point, the hardline faction might simply have backed off and the whole episode would have slipped below the waves as yet another inexplicable chapter in the history of Kremlin in-fighting.

But the recent arrival of a powerful new force on the Kremlin battlefield drastically altered the picture and forced the affair into a decisive showdown. Mr Alexander Lebed, the tough-speaking former general whose 14 per cent of the vote in the presidential elections had won him a place in the presidential entourage, was tracked down by journalists and told about the White House incident.

"Attempts are being made to wreck the second round, that is my first impression," Mr Lebed told Russian television in a pre-dawn interview. "Any mutiny will be crushed, and crushed with extreme severity. Those who want to throw the country into the abyss of bloody chaos deserve no mercy at all."

After such talk, it would have been impossible for Mr Yeltsin to hush up the episode yesterday as he has done with similar disputes in the past.

The atmosphere in Moscow was at fever pitch as the city woke to the news. Despite initial attempts by the leading participants in the drama to play down the crisis it was clear that the media hysteria was becoming uncontrollable.

At 11am, Mr Yeltsin chaired a meeting of senior advisers where he introduced Mr Lebed, sitting immediately on his left, as his new secretary of the security council and national security adviser.

General Pavel Grachev, the former defence minister who had been sacked as part of the price for Mr Lebed's acquiescence, was conspicuous by his absence. But television footage of the opening minutes of the session showed Mr Barsukov, the FSB chief, shifting uneasily on his chair to Mr Yeltsin's right.

Mr Lebed later protested that the meeting had not discussed the incident at the White House.

But two hours later, after meeting with both Mr Korzhakov and Mr Chubais, the president announced on television that he was sacking the three men who had once been his close personal friends.

"They had taken too much and given too little," Mr Yeltsin said, cryptically.

Mr Chubais emerged from the Kremlin to give a triumphant press conference at which he proclaimed the birth of a new democratic Yeltsin administration. Deathly pale but apparently unable to contain his excitement, Mr Chubais was applauded by Russian journalists as he burst into the hall.

Mr Evgeny Kisilyev, the suave anchorman of *Itogi*, Russia's leading news programme, exulted: "Mr Yeltsin is now the sure winner in the elections. The three most unpopular persons in the government have just been fired."

But the political ramifications of the drama are far from certain. The presidential team will attempt to present the affair as proof of Mr Yeltsin's commitment to democracy and evidence that Mr Lebed is bringing "order" to Russia.

But the Communist party is already depicting the episode as thieves falling out among themselves before they are all swept from office.

Mr Gennady Zyuganov, the Communist party leader, and his comrades who have appeared depressed for days were visibly excited by the news.

"Russia should not be a banana republic. This just shows the total incompetence of a team which has begun to fight amongst itself before the second round of elections," said Mr Zyuganov.

Russia's 105m voters will give their verdict in less than two weeks' time.

Bonn in drive to curb financial swindles

By Peter Norman in Bonn

The Bonn finance ministry yesterday proposed that in Germany only banks should be entrusted with transferring money on the Internet or issuing pre-paid "cash cards" for use when shopping.

In a wide-ranging discussion document outlining proposed changes to the country's banking and stock exchange laws, the ministry published draft legislation to control the so-called "grey capital market", which is a regular source of financial scandals and swindles.

It also wants to remove the monopoly enjoyed by banks at the expense of stock brokerages and other financial institutions when listing securities in Germany.

Officials said the proposals, sent to banking federations and other groups for comment yesterday, were intended as a step towards deregulation and making German financial centres more competitive.

"The reform plans have been incorporated in draft legislation to implement European Union measures harmonising financial services, as defined in the 1993 investment services and capital adequacy directives and a 1995 directive that tightened controls over international financial groups in the wake of the collapse of the Bank of Credit and Commerce International.

If all goes as planned, the cabinet will agree the draft legislation after the summer break. It will be debated in parliament before Christmas with the aim of putting it into effect by July next year.

The document said Internet money transfers and those pre-paid cash cards used to cover purchases from parties other than the issuer should be covered by Germany's banking laws to reduce the risk of large-scale fraud and maintain the integrity of payments systems.

It proposed that companies offering services in the so-called grey capital market should be subject to capital adequacy rules and be obliged to register with the German supervisory authorities.

This measure, the ministry said, was to crack down on unscrupulous companies which usually promise very high yields from futures-related investments and penny shares. The ministry has said that "tens of thousands" of investors in Germany and neighbouring countries have suffered losses by buying such products, which are often sold through letterbox companies.

To prevent money laundering, the document proposed that money transfers and bureaux de change should be subject to Germany's banking supervisors.

It also suggested giving the banking supervisory office in Berlin more powers to pursue illicit financial transactions and increase the penalties for wrongdoing. Future infringements of the banking law could result in fines of up to DM2m ($1.3m), compared with a maximum of DM100,000 at present.

To improve regulation of securities companies, the ministry has proposed a division of labour between bank supervisors and the federal supervisory office for securities trading. The former will be responsible for licensing companies and checking their solvency. The latter will regulate the securities markets.

The ministry intends to link implementation of the EU directives in Germany to deregulation.

EUROPEAN NEWS DIGEST

Bosnian poll date endorsed

Ambassadors to a European security forum yesterday backed elections in Bosnia to be held on September 14 as envisaged by the Dayton peace agreement. "There was unanimity in the will to respect the calendar of Dayton," said an official of the Organisation for Security and Co-operation in Europe (OSCE).

The OSCE chairman, Mr Flavio Cotti, the Swiss foreign minister, said he would make a final decision in Vienna next Tuesday after further consultations with the OSCE's permanent council. He said he would also visit the Bosnian cities of Sarajevo and Banja Luka.

Mr Cotti said he would take into consideration the unanimous backing of the permanent council and a further endorsement by a conference involving ministers from more than 40 countries held in Florence last week.

However, even as he spoke, hardline Bosnian Serbs in their stronghold of Pale again defied international efforts to proceed with the elections by nominating Mr Radovan Karadzic, who is wanted on war crimes charges, to run for the presidency of the self-styled Serb "republic" in Bosnia. *Agencies, Vienna*

Çiller delays on Islamist pact

Mrs Tansu Çiller, leader of Turkey's conservative True Path party, yesterday continued holding out the possibility of setting up a secularist coalition government rather than forming an alliance with the Islamist Refah party.

Yesterday she was expected to tell Mr Necmettin Erbakan, Refah's leader, whether True Path would form a coalition. Instead she met Mr Deniz Baykal, leader of the small leftwing People's Republican party. The party was Mrs Çiller's ally during her 1993-95 government, together with the rival conservative Motherland party of Mr Mesut Yilmaz, the caretaker prime minister.

True Path officials now say Mrs Çiller may meet Mr Erbakan today, if she exhausts all possibilities of forming a secularist united front. Although Mrs Çiller campaigned on an anti-Islamist platform in elections in December, she now says Turkey's need for firm government overrides other considerations. *John Barham, Ankara*

German public sector pay deal

Germany's public sector pay dispute was finally settled yesterday when trade union representatives accepted arbitration proposals that keep pay increases low, but preserve sickness payments and avoid longer working hours.

Employers at federal, state and local authority level had sought to cut sickness pay and lengthen working hours as part of their efforts to meet the public spending crisis. Under the terms put forward last week, the 3.2m public sector workers will receive a one-off payment of DM300 ($195) this year and a 1.3 per cent pay rise in 1997.

Unions had originally claimed 4.5 per cent, with employers pushing for a wage freeze. The deal was sealed when the big ÖTV union agreed to the compromise terms which will cost employers around DM4bn. Mediators were called in after warning strikes disrupted transport, waste disposal and other services. *Andrew Fisher, Frankfurt*

Berlin to sell electricity stake

The Berlin government will today confirm it will put out an international tender for its 25.8 per cent in Bewag, the capital's main electricity company, paving the way for greater competition in the utilities sector and overturning a policy which had favoured only domestic partners.

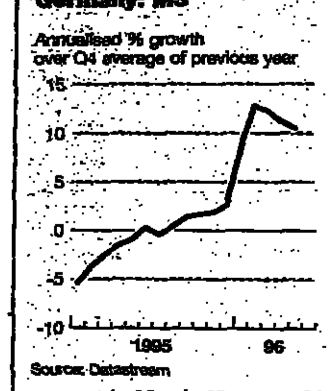
Ms Annette Fugmann-Heesing, the Social Democrat finance senator, yesterday said she was seeking an investor and partner committed to developing a long-term strategy for Bewag. "We are not selling our share simply to raise cash. We are seeking know-how and expertise," she added.

The decision to seek an international partner ends months of wrangling in the Christian Democratic and Social Democrat coalition. Until recently, the government's stake in Bewag had been earmarked for several of the large domestic utility groups, largely because of pressure from Bewag's municipal shareholders who enjoy close political contacts. Several politicians had considered RWE Energie, PreussenElektra and Bayernwerk, Germany's big three. *Judy Dempsey, Berlin*

ECONOMIC WATCH

German M3 grows more slowly

Germany: M3



Source: Datastream

Germany's money supply continued to grow at well above the Bundesbank's 1996 target range in May, slowing down only marginally from the high rates of the previous three months. Economists said it now looked unlikely the Bundesbank would cut the securities repurchase (repo) rate, which it left at 3.30 per cent when it lowered the discount and lombard rates in April. The German central bank said M3 rose at an annualised rate of 10.5 per cent in May over the level of the last quarter of 1995, after 11.2 per cent in April and 12.3 per cent in March. However, Mr Helmut Schieber, a Bundesbank council member, said M3 should move towards the target range of 4-7 per cent growth.

He said monetary capital formation, in which funds are moved into longer-term investments outside M3, had been relatively weak and should soon return to normal. Compared with the fourth quarter of 1994, M3's annualised increase was 4.9 per cent after 4.7 per cent in April. Bank lending was up by 7.9 per cent (on a six-monthly annualised basis), a slight slowdown from April. *Andrew Fisher, Frankfurt*

■ The Swedish central bank cut its lending rate to 6.75 per cent from 7.50 per cent and its deposit rate to 5.25 per cent from 6 per cent, effective from next Wednesday.

Italy edges towards Maastricht goals

Robert Graham reports on why a three-year economic programme has been delayed

The month-old centre-left government of Mr Romano Prodi has decided to postpone publication of its three-year macro-economic programme until after today's EU summit in Florence.

The programme was signalled to accompany the unveiling of Wednesday's L16,000bn ($10.3bn) mini-budget to demonstrate the policy framework in which Italy intended to comply with the convergence criteria of the Maastricht Treaty. But at the last minute the government decided to withhold even the broad outline.

The postponement has been prompted by disagreements within the government over the targets and the timescale for achieving these targets. Mr Carlo Azeglio Ciampi, the former premier and ex-governor of the Bank of Italy, has been pressing for a determined attempt to bring Italy within the convergence criteria as quickly as possible, if possible by the end of 1997.

Others in the cabinet, representing the views of the Party of the Democratic Left (PDS) and also Mr Lamberto Dini, the foreign minister, have argued for a slower approach, with measures that would be easier to sell to the trade unions. They also believe that the Maastricht criteria, especially the budget deficit limit of 3 per cent of GDP, will be made more flexible.

The delay in publication of the three-year programme, which delineates the strategy for the 1997 budget, has the advantage of giving the government time to sound out its EU partners at Florence and make the necessary adjustments.

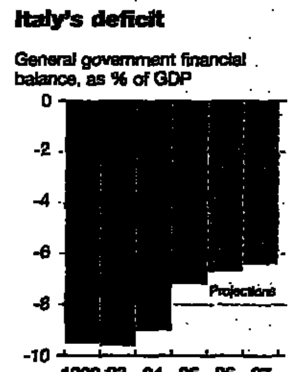
The main point of disagreement to emerge in the public domain has been over inflation. The cabinet accepts that the fight against inflation, now hovering around an annualised 4 per cent, should be the central pillar of economic strategy. But the treasury has been pressing for a tough 1997 target of 2.5 per cent.

Battle over target for inflation

This is seen as difficult to enforce without a serious battle with the unions. Several important wage contracts are now being negotiated, or will shortly start, on the basis of 3 per cent inflation in 1997. Since an historic agreement between unions, employers and the Ciampi government in 1993, wages have been linked to productivity and projected inflation.

However, projected inflation has consistently been lower than actual inflation, and real earning power has declined. The unions feel the balance must be redressed in recognition of the part they have played in providing economic stability since 1993. One way round this obstacle would be to allow all contracts up for negotiation to be based on a 3 per cent benchmark.

Italy's deficit



Source: OECD

Matters are further complicated by the need to decide at the end of this month on whether to unblock a freeze imposed in January by the then Dini government on a series of tariff increases. These included telecoms, water, electricity and road tolls.

Before unveiling the mini-budget on Wednesday, Mr Prodi told trade unions leaders tariffs would be unfrozen in a controlled manner.

The mini-budget itself is an astute political exercise in consensus building, while combining the necessary financial rigour to bring the 1996 deficit into line with its target of 5.9 per cent of GDP.

Although some of the measures are one-off, the structural element is such as to carry forward the capacity to raise an extra L20,000bn in 1997 – so reducing the size of next year's budget, which could be close to L50,000bn.

The spending cuts of L11,000bn are well spread and fairly painless – thanks to L5,000bn being cut from the railways and roads authority-transfers. Pensions and welfare

Pensions are left unscathed

have been left virtually unscathed, and the centre-left electorate has on the whole been spared in the search for L5,000bn in fresh revenues. The one exception is those who indulge in lotteries as the main lottery tickets will increase by L500 (raising L2,500bn).

The burden has fallen on the business sector, which the government feels can be squeezed a little given recent profit levels. Confindustria, the industrialists confederation, was still studying yesterday the fine print on a number of small adjustments to fiscal measures on business transactions. But they were already protesting loudly about losing a small part of their allowance for employee welfare payments which they can write off against tax. This will be cut to 5 per cent from 5.6 per cent.

The main novelty has been the harmonisation of taxes on the various types of interest paid by the banks to establish a single 27 per cent take. This means certificates of deposit will be taxed more but current account holders will pay less tax on their interest.

The government could be criticised for failing to tackle big areas of spending, especially pensions. But this is a coalition with a fragile balance between left and right and needs the parliamentary support of reconstructed Communism.

Mr Prodi clearly believes he can achieve more by consensus than confrontation. He also believes his trump card is an ally in the Bank of Italy, which will signal its confidence in government policy by lowering interest rates – a move which will have an important long-term effect on lowering the cost of debt service, which in turn is the biggest burden on the budget.

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Hard-pressed Ukraine traders protest at fresh drive on tax

By Matthew Kaminski in Kiev

Ukraine's private traders and shop owners, fed up and angry, this week took their grievances against the government to the street to protest against new taxes hitting small business.

Several hundred business people, mostly women who own street kiosks or operate stalls at the city's large bazaars, picketed the Ukrainian parliament, which has passed a law requiring them to register and pay a Ecu160 ($200) tax each month. Demonstrations also were held in other Ukrainian cities.

The Kiev government came up with the scheme to get more budget revenue and stop tax avoidance. But representatives of Ukraine's small businesses say the measure will close them down or force them into the black economy.

"It is the small players who are constantly pressured," said Ms Natalya Korzhevina, general director of the Yednannya association for the development of private entrepreneurship, a small business lobby that has 26,000 members in Kiev and organised this week's protests.

"In Ukraine the number of legally owned small companies is getting smaller. The registration law is not the only thing making it harder to own a business," she says. Petty corruption has also become routine. Local functionaries demand 30m karbovanets ($164) to register and each potential business must meet a minimum statutory capital requirement of 900m karbovanets.

Various permits needed to rent commercial property or get a proper fire licence carry other costs that Ms Korzhevina forthrightly calls "bribes". Attempts to streamline bureaucratic supervision have met stiff resistance.

But Ukrainian President Leonid Kuchma can be swayed by public unrest. He asked parliament on Wednesday to reconsider the law and it was agreed that, temporarily at least, the scheme would be enforced only on alcohol and cigarette traders, currency exchange booths and petrol stations from July 1.

Small business, an engine of growth elsewhere in eastern Europe, has been stunted at birth in Ukraine. Ms Korzhevina estimates there are 66,000 small businesses in Ukraine, or 1.2 for every 1,000 people. Even in Russia, she said, the ratio was 7 per 1,000.

"This country is still hostile to small private enterprise," said Mr Jeffrey Sachs, a Harvard economist who advises the Ukrainian government. "Poland has 2m private businesses. That's the real miracle."

Budding entrepreneurs have found temporary relief in the black economy, which the World Bank estimates accounts for half of all economic activity.

About 5m Ukrainians have left state enterprises and gone into trading or other business.

Chinese wave stick at Germany over Tibet

By Michael Lindemann in Bonn and agencies

China yesterday warned that relations with Bonn would become more difficult after the lower house of Germany's parliament criticised China's poor human rights record and "the violent suppression of Tibet".

Mr Shen Guofang of the Chinese foreign ministry, said the Bundestag had "interfered in China's internal affairs" by debating and passing the motion on Tibet. "It will have a negative impact on Sino-German relations and hurt Germany's long-term interests," Mr Guofang said in Beijing.

Several German parliamentarians stressed that the motion was not questioning China's rights to Tibet, the Himalayan region which China invaded and then annexed in 1951, but the motion received strong support from five of the six parties in the Bundestag.

The Bundestag motion comes just days after a Financial Times interview in which Mr Li Peng, the Chinese prime minister, lauded European countries for their "more lenient" views towards China and warned that US companies would suffer because of the US administration's hardline stance on human rights.

Speaking during the debate, Mr Klaus Kinkel, Germany's foreign minister, said he would go ahead with his July visit to China, a trip some German deputies had earlier urged him to call off.

Mr Kinkel said that during his visit he would appeal to the Chinese authorities to broach the question of autonomy for Tibet with representatives of the Tibetan people. "Belonging to China cannot mean that the Tibetans lose their religious and cultural independence," he told the Bundestag.

However, Mr Kinkel said his comments to the Chinese would not be made in a "didactic manner but in an unequivocal, clear and suitable form".

Germany's foreign policy, Mr Kinkel said, regarded human rights as a "very, very high priority" but he said he also had to take account of the fact that every third German job depended on exports and that the country faced record unemployment.

Energy ministers set for compromise on market liberalisation

EU close to electricity deal

By Neil Buckley in Luxembourg

European Union energy ministers last night appeared to be edging towards agreement on controversial plans to open the EU's $250bn-a-year electricity market to cross-border competition.

The special meeting, ahead of today's Florence summit, was called to try to endorse a Franco-German-led compromise requiring EU states to open 22 per cent of their electricity markets to competition – rising to 32 per cent after six years.

But liberalisation supporters including the UK, Finland, Sweden and the Netherlands made clear they thought the plan did not go far enough, nor fast enough.

Several other details, including public service obligations on electricity generators and the timing of a review to set targets for further market opening, were still under dispute at a meeting described by more than one delegation as "chaotic". Mr Christos Papoutsis, the EU energy commissioner, warned last week that failure to reach agreement at the meeting could rule out any deal before the end of the decade. Negotiations have already taken six years to reach this point.

If ministers could not agree, he suggested the plan should be discussed at the Florence summit.

Progress towards liberalisation has been slow due to deep divisions between countries such as Germany, which support broad and swift liberalisation, and states including France, which want only limited market opening. France wants to preserve the power of Electricité de France, the state monopoly, which has warned of heavy job losses if liberalisation goes ahead. EdF workers demonstrated outside yesterday's meeting in protest over the plans.

Ministers agreed a liberalisation framework last month, but left until yesterday the decision on final figures and the timetable for the market opening. Under the compromise plan, about 22.5 per cent of the market would be opened to competition initially, based on the percentage of EU electricity users consuming more than 40 gigawatt-hours per year.

After three years, the consumption threshold would fall to 20GWh, equivalent to market opening of 28.5 per cent, and after three more years to 9 GWh, or about 32 per cent.

Member states can choose between two methods of market opening - "third party access", whereby large electricity users can conclude supply contracts directly with foreign generators, and the more restrictive "single buyer" system, favoured by France, where a designated national electricity buyer would conclude contracts on behalf of customers.

A "safeguard" clause gives the European Commission power to intervene to make sure the co-existence of the two systems did not lead to imbalances in the rate of market opening.

In advance of yesterday's negotiations on European energy liberalisation in Luxembourg, French prime minister Alain Juppé warned Electricité de France (EdF) that it would need to "recast" its tariffs to meet new competition from foreign producers, writes David Buchan in Paris.

In a letter to the head of the EdF, Mr Juppé also made clear to the state-owned utility that it must balance any price cuts for French industrial users flowing from a new EU directive with similar reductions for French householders who will not initially get any direct benefits from cross-border trade in electricity.

The annual increase in EdF prices since 1989 has only averaged 1.25-1.5 per cent, or less than the rate of inflation. But Mr Juppé's letter, made public yesterday, was designed to respond to the fear that EdF might try to recoup price cuts to industrial users by increasing tariffs for ordinary householders.

Florence peace talks await UK's ceasefire declaration

By Lionel Barber in Florence

European summits in Italy can be hazardous occasions for British prime ministers. Mrs Margaret Thatcher was ambushed twice, once in Milan and once in Rome, in 1990 over a timetable for the single European currency.

Mr John Major, her embattled successor, should avoid a similar trap at today's EU summit in Florence. Thanks to British concessions and creative Italian diplomacy, he should be in a position this afternoon to proclaim a truce in the beef war.

Whether the truce turns into a permanent cessation of violence depends on two conditions: all 15 EU leaders must sign up to the European Commission's framework plan for a phased lifting of the worldwide ban on British beef exports, imposed as a result of fears over mad cow disease; and Mr Major must agree to end Britain's blocking tactics.

Yet Florence can offer no more than a semblance of normality after the experience of the past weeks, which have witnessed the most serious breakdown in EU business since President Charles de Gaulle ordered his "empty chair" policy in 1965.

True, Mr Major's tactics are more reminiscent of the ex-Greek prime minister, Mr Andreas Papandreou, than of De Gaulle. The disruption of EU decisions has been impressive in quantity (70 pieces of business blocked) but not in quality. Whenever a substantial matter was at stake, such as the French-backed partnership accord with Algeria or the EU association agreement with Slovenia, the British lifted their block.

As a senior Spanish diplomat observed a week ago, Britain's selective veto policy was rapidly running into difficulties. It looked arbitrary and invited retaliation. Without agreement in Florence, the confrontation would surely escalate into a full-blown political crisis.

The legacy of the beef war lies in the climate of mistrust it has created between Britain and her EU partners. The mistrust runs deep because it is based on mutual incomprehension. British officials regard the EU ban on British beef exports as a *prima facie* breach of the single market imposed as a result of consumer-driven politics rather than scientific evidence.

The Europeans are adamant that Britain's non-co-operation policy needlessly politicised a public health matter which should have been left to normal EU procedures, based on scrutiny by the scientific experts in Brussels (the essence of the Commission's framework plan).

The question at Florence is whether the British and Europeans will continue talking past one another on other subjects of importance such as the intergovernmental conference (IGC) – employment, enlargement, and monetary union (Emu).

On employment, the British are winning the arguments. Maastricht was the high-water mark of EU social policy. Europe is coming round to the need to move towards UK-style flexible labour markets. This week, the head of the German business federation praised Britain's performance in attracting foreign investment. Unemployment in the UK remains substantially lower than in Belgium, France and Germany – all prime candidates for monetary union.

On Emu itself, the debate is likely to be lukewarm because it is a stock-taking exercise. Work on the technical preparation for the single currency should be wrapped up by the end of the year, including the vexed relationship between those inside the single currency area and those outside.

Britain wants to keep its options open, and therefore is resisting efforts to compel membership of the Exchange Rate Mechanism as a precondition for membership of Emu.

Chancellor Kenneth Clarke won this battle at a meeting of EU finance ministers in Brussels, and the status quo looks likely to endure.

The IGC debate is much more difficult. The first three months of negotiations to revise the Maastricht treaty have been painstakingly slow. Britain's refusal to countenance an extension of qualified majority voting – even in the perspective of future EU enlargement to central and eastern Europe – is not the only obstacle to an agreement. But as one Danish diplomat explains, it has allowed others to hide behind the UK.

British obstinacy is encouraging France and Germany to press ahead with their ideas on "flexible integration". This is short-hand for an advance guard led by Paris and Bonn which would co-operate more closely in certain areas, without being held back by recalcitrants. Both President Jacques Chirac and Chancellor Helmut Kohl will call for faster progress on the IGC, rather than leaving it hostage to the UK general election.

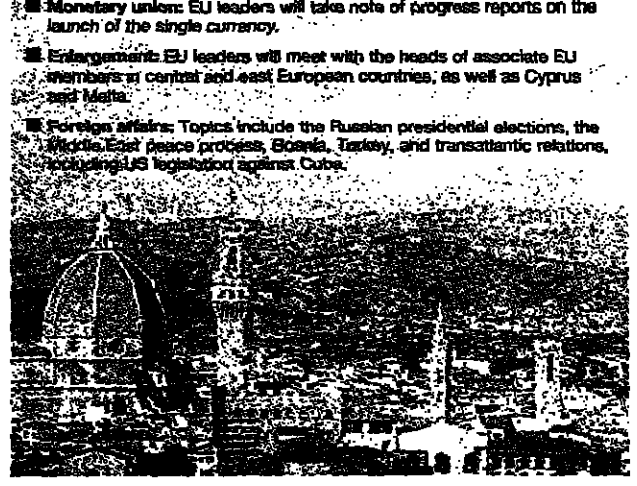
One idea is to hold a snap EU summit in the autumn under the Irish presidency, to ensure that a draft treaty is ready by the Dublin summit in December. In reality, the serious bargaining, including the difficult reweighting of votes between small and large countries, will not happen until early next year under the Dutch presidency.

Mr Major does, however, have one trick up his sleeve. Assuming peace breaks out in the beef war, he will announce lifting Britain's long-standing veto of the convention to set up Europol, the police-intelligence gathering agency based in the Hague. Everyone will be grateful, especially Mr Kohl who sees Europol as a vital weapon against organised crime from the east.

But Britain alone remains opposed to giving the European Court of Justice the power of judicial review over the new agency. Other countries will therefore "opt in" to the ECJ, while Britain will remain outside. It looks like a pattern for the future.

Agenda for the European summit in Florence

- ■ The Maastricht treaty review conference: EU leaders will take stock of three months of slow-moving negotiations on Maastricht 2.
- ■ Employment: Commission president Jacques Santer to ask heads of government to back his Confidence Pact on employment, reallocate funds to spending on infrastructure and make a commitment to labour market reform.
- ■ Beef crisis: Beef is not on the agenda, but Britain and the EC will seek agreement on a framework for the step-by-step lifting of the EU worldwide ban.
- ■ Justice and Home Affairs: EU leaders are expected to approve a deal on a convention to set up the Europol police intelligence agency to combat organised crime and drugs traffickers.
- ■ Monetary union: EU leaders will take note of progress reports on the launch of the single currency.
- ■ Enlargement: EU leaders will meet with the heads of associate EU members in central and east European countries, as well as Cyprus and Malta.
- ■ Foreign affairs: Topics include the Russian presidential elections, the Middle East peace process, Bosnia, Turkey, and transatlantic relations, including US legislation against Cuba.



Bank of England claims an early lead against Bundesbank

Bankers warm up for Euro 99

George Graham reports on the debate over banking reserves under a future European central bank

The Bank of England claimed yesterday that it was winning its argument with the German Bundesbank over whether commercial banks should have to deposit minimum reserves with the central bank after European monetary union.

Mr Howard Davies, deputy governor of the Bank of England, said the Bank "has been, and remains, unpersuaded of the case for reserve requirements", which the UK regards as a *de facto* tax on the banking system.

With commercial banks clearly opposed to minimum reserve requirements, he said, a number of countries had recently reduced their use of reserve requirements.

"We believe that sentiment is moving our way," he told the annual conference of the Association for Monetary Union in Europe.

Most countries demand some sort of minimum reserve from their commercial banks, requiring them to leave a certain percentage of their customer deposits with the central bank.

This can be used as a tool for monetary policy; if reserve levels are set higher, then money becomes more scarce in the banking system and interest rates will tend to rise. Mr Hans Tietmeyer, president of the Bundesbank, which requires minimum reserves amounting to 2 per cent of commercial banks' deposits, argues that the reserves are an essential part of the central bank's armoury.

But the Bank of England, like many other central banks and the International Monetary Fund, argues that it is better to steer monetary policy by buying and selling securities in the money market, and that reserve requirements should be set at or be close to zero.

Because the banks usually receive no interest from the central bank on their reserves, they lose money. German commercial banks such as Deutsche Bank have warned Mr Tietmeyer that if he wins the argument over whether the European central bank should impose minimum reserve requirements, and if the UK stays out of Emu, huge amounts of banking business will move to London to escape the levy.

Mr Davies said yesterday that imposing minimum reserves would simply promote disintermediation, since banks would then prefer to raise money for their customers through instruments such as bond issues and commercial paper, which do not count for their deposit base, rather than simply lending to them.

Although minimum reserves also raise income for the central bank - even the Bank of England finances itself through a reserve requirement of 0.35 per cent – Mr Davies said the European central bank would make enough profits from the issue of bank notes, known as seignorage, to have no need of this source of income.

US Congress dashes hopes for shipyards deal

By Guy de Jonquières in London and Nancy Dunne in Washington

US trade partners have launched a last-ditch diplomatic effort to salvage a landmark international agreement to curb shipbuilding subsidies, which has run into serious obstacles in the US Congress.

Industry experts say collapse of the agreement, signed by all the main shipbuilding nations, could lead to a renewed race to subsidise the industry and a return to cut-throat price competition, led by South Korean yards.

The agreement, negotiated in the Organisation for Economic Co-operation and Development, has been put at risk by the US House of Representatives' overwhelming approval last week of legislation which would undermine some of its central provisions.

Sir Leon Brittan, the European trade commissioner, has written to congressional leaders warning that the agreement may unravel unless the legislation is amended. All signatories must ratify the deal before it can take effect.

The US is the only country which has yet to pass the necessary implementing legislation and was supposed to act by last Friday. But although other governments appear ready to extend the deadline, many doubt that Congress will act this year. "If the agreement does not pass by the end of summer, it is as good as dead," a European official said yesterday. "Time is against its supporters. Opponents in Washington are on a winning streak."

Adding to the urgency is the fact that interim EU shipbuilding measures expire in mid-October. If the OECD agreement does not take effect by then, member states may start pressing Brussels to draw up more generous subsidy guidelines.

Efforts to rescue the OECD deal focus on the Senate. It is being lobbied by the European Commission, several EU member governments and Japan to ratify the agreement without including the controversial House provisions.

However, the Senate has yet to schedule a vote on the agreement, and it is unclear whether it will do so before Congress recesses in September for the election campaign. Even if the Senate acted, a compromise would have to be reached with the House which was acceptable to other governments.

Although the OECD agreement was negotiated at the insistence of Washington, some other governments suspect the White House is no longer committed to working hard to put it into effect.

The most controversial amendment by the House would extend for a further 30 months loan guarantees made by the Federal Maritime Administration for ship purchases. Other governments say that would directly violate the OECD agreement.

The House legislation also seeks to exempt from the agreement defence funding of commercial shipbuilding and the Jones Act, which requires a fixed proportion of coastal freight traffic to be carried in US-built vessels.

Some observers say that if these provisions are not removed, the best hope of saving the agreement may be to try to re-draft it to take account of the political pressures in the Congress.

However, Japan and South Korea have said they would oppose re-negotiation. Both countries only supported the agreement after intense pressure by the US and are reluctant to ask their legislatures to ratify a revised version.

Some observers also believe the Seoul government would not be unhappy if the current OECD deal collapsed, because it provides for penalties against "injurious pricing". These were included at the insistence of western shipbuilders, chiefly as a safeguard against Korean competition. The accord would be backed by disputes procedures, providing for remedies and sanctions in cases of violation.

High-tech phones for the Bangladeshi poor

Lending for cellphones is one way of generating incomes for the deprived, writes **Mark Nicholson**

A poor Bangladeshi farmer in the emerald fields or flooded plains flicks open the lid of a Motorola cellphone to talk with family and friends working in the Gulf, check rice prices at market a few kilometres away or perhaps to summon help after one of Bangladesh's devastating cyclones.

If the imaginative people at Grameen Bank, a Bangladeshi rural development agency, have their way, this is less a distant vision than a bankable business prospect.

Grameen is aiming to make cellphones a tool for small rural businesses, and thus development. And the bank, a much-emulated pioneer in lending "microcredit" to the rural poorest, has persuaded Marubeni, the Japanese trading group, and Telenor, the Norwegian state telecoms group, to join them in an ambitious plan to supply cellphone technology to one of Asia's poorest agrarian countries.

"When we first had the idea we approached a lot of phone companies," says Mr Khalid Shams, deputy managing director of Grameen, which means "village". "To our surprise we found companies, especially in Europe, were very serious about doing business with us."

Grameen's proposal was to use its 20-year-old rural credit network, which already covers more than half of Bangladesh's 68,000 villages, backed by its highly developed small-scale credit programmes to encourage entrepreneurial villagers to use cellphones as business opportunities, and thus as a developmental tool.

The venture has applied for a cellphone licence to cover all of Bangladesh, which has a population of 120m but fewer than three telephones per thousand inhabitants. The Bangladeshi government, which is considering three other competing cellphone bids to cover the country, has so far granted only one private licence, in 1989, for services in Dhaka, the capital. Progress in the country's telecom liberalisation programme has been stalled by recent political troubles.

Telenor, which would contribute 51 per cent of the $13m equity capital, Grameen (35 per cent), Marubeni (10 per cent) and Gonophone, a US-based company owned by a non-resident Bangladeshi (4 per cent), have signed a joint memorandum of understanding and are in talks with the Asian Development Bank, the International Finance Corporation, the private investment arm of the World Bank, and other donors to secure the additional $47m they estimate necessary to establish a country-wide cellphone system.

Underpinning the ambitious project is Grameen's belief that villagers can use cellphones, in areas beyond the reach of the existing state telephone system, to set up small callbox businesses – commonplace across India using landline technology – enabling the rural poor, for instance, to gather market information or to call expatriate relatives, or any number of other uses. "We think this becomes a very powerful development measure, empowering, and a real business prospect," says Mr Shams.

Mr Shams argues the project is feasible given the bank's established penetration of rural Bangladesh, which covers more than 300,000 borrowers in 35,644 villages. "The strategy is that we'd be making money immediately in urban areas like Dhaka and Chittagong, and the rural areas would follow."

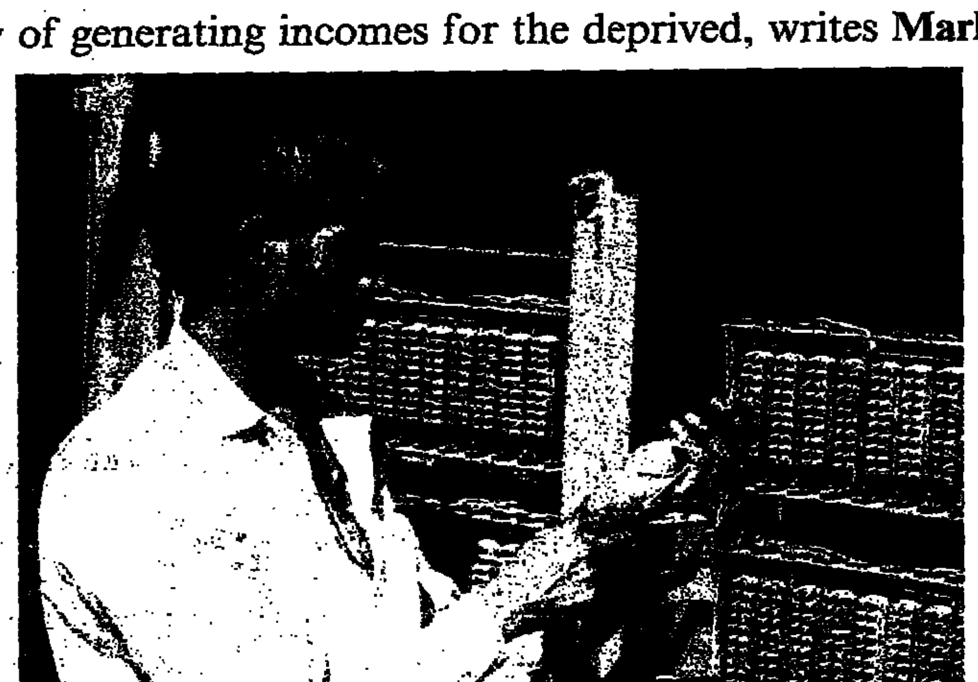
He said the bank would offer villagers loans to purchase telephone handsets under existing credit schemes to the poor, through which the bank has disbursed a total of $1.7bn, in loans often no bigger than $100, since its inception in 1976.

Loans are granted for anything from the modest tools needed to husk rice to bigger sums for farmers to buy tractors. All "fast revenue generating" projects are funded, according to Mr Shams, with credit risk appraisal managed entirely through self-policing: loans are made only to groups of five non-family members who combine for the purpose and agree on the project to be funded.

The five must jointly agree on schemes and lending is made in the first year only to two of the five. Subsequent lending to the others depends on the successful repayment of the first loan – an incentive for the group to appraise properly their modest business projects and also to repay the loans.

Grameen, which is "owned" by its 300,000 members and in which the government holds a 10 per cent stake, requires weekly repayments of all loans, made at their 10,000 regional centres, and enjoys an impressive 98 per cent repayment record – 93 per cent of loans are to women.

Mr Shams says Grameen is still awaiting a government verdict on the project, but is not sitting still. The bank requires all borrowers to commit themselves to a host of social and developmental precepts, such as sending their children to school. They have also formed a new company, Grameen Cybernet, to offer children of borrowers job opportunities in developing low-cost data entry services. "We can envisage doctors in the US wanting their patients' records entered into data bases, for example. We'll set up the hardware and train up young people to do the job."



Cellphones could leapfrog the primitive traditional telephone system Tony Andrews

WORLD TRADE NEWS DIGEST

Japan shifting output offshore

Nearly 20 per cent of products imported by Japanese companies are "reverse imports" of goods made overseas by Japanese-affiliated companies, according to a survey published yesterday. The survey, by the Japan External Trade Organisation (Jetro), underlined the extent to which Japanese companies have shifted production overseas in the so-called "hollowing out" effect, blurring the export-import picture.

Jetro said the proportion of offshore production to total production by the companies surveyed was expected to rise to 26.8 per cent by the year 2000 from 18.4 per cent in the year to March 31, 1995. It said that 47.1 per cent of the companies surveyed either had cut or expected to cut domestic production, while 35.5 per cent expected no decline and the remainder were unclear, saying that the outcome depended on foreign exchange rate movements. *Reuter, Tokyo*

Thais to buy more Laos power

Thailand has agreed to buy an additional 1,500MW of electricity from Laos, doubling the amount of power expected to flow between the two countries over the next 10 years. The agreement is a boon for developers of the 23 hydroelectric projects in Laos which are either under construction or being studied. Working under the previous 1,500MW quota, developers had been scrambling to complete their projects quickly before others could offer electricity to Thailand.

Thailand had also wanted the original 1,500MW to be on stream by 2001 but the delivery date for the entire 3,000MW has been pushed back to 2006, giving developers both extra time and confidence that Thailand is committed to buying substantial amounts of electricity from Laos.

The non-binding agreement includes commitments by the Lao government to use 500KV transmission lines at specific points where electricity is expected to cross the border, which will help the Electricity Generating Authority of Thailand (Egat) to plan nearly $1bn of investments in its transmission grid. The Lao government also is said to have agreed to study a Thai proposal to run a transmission line across Laos into south-western China, where Egat wants to buy power from the Jinghong and Mensong hydropower projects currently undergoing feasibility studies. *Ted Bardacke, Bangkok*

Another Asian refinery opens

A $2bn oil refinery opened in Thailand yesterday, the latest in a string of new refineries coming onstream in south-east Asia this year which threaten to alter the region's trade in refined products. The 145,000 barrel a day Rayong refinery is owned 65 per cent by Shell, the Anglo-Dutch oil group, with the remainder held by the state-owned Petroleum Authority of Thailand. It will use the latest technology to process cheaper, heavy crude oils into high-value light products, such as unleaded gasoline, jet fuel and low sulphur diesel. Rayong should significantly reduce Thailand's dependence on imports of refined products. *Robert Corzine*

■ Com Dev, a Canadian maker of microwave equipment, has formed a 60-40 joint venture with China's Xian Institute to make microelectronic systems for communications and remote sensing satellites in Xian, Shaaxi province. China will build 16 new communications and remote sensing satellites over the next four years. *Robert Gibbens, Montreal*

■ Hongkong and Shanghai Hotels, the Hong Kong-based hotels chain, yesterday announced plans to build a 220-room hotel on the east of Sydney's Circular Quay, close to the Sydney Opera House. It said it had signed a partnership agreement with Colonial Group, the Australian financial institution which owns the site. *Nikki Tait, Sydney*

NEWS: ASIA-PACIFIC

Police clamp down on Jakarta protest

By Manuela Saragosa and agencies in Jakarta

At least one demonstrator was reported killed and dozens of others were injured in Jakarta yesterday after riot police clashed with an estimated 5,000 supporters of the opposition Indonesian Democratic party (PDI) in a rare showdown between government and opposition.

The violence erupted as a rebel faction of the PDI launched a five-day congress in Medan in Sumatra – supported and encouraged by the Indonesian government – that aims to oust the PDI's leader, Ms Megawati Sukarnoputri, and replace her with a government-sanctioned candidate.

Ms Megawati's supporters took to Jakarta's streets to protest against her removal. The daughter of Indonesia's founding president, Ms Megawati has led calls for more democracy and her supporters say she is a potential challenger to President Suharto.

"Today is a day of tragedy for democracy," Ms Megawati told marchers before they set off, referring to the rebel PDI congress that her supporters say has been orchestrated by elements of the Indonesian military.

Riot police backed by armoured vehicles clubbed demonstrators after they were pelted with stones for trying to block the march in Jakarta. Dozens of people on both sides were hurt while others, including a policeman, were run down by PDI cars trying to flee the area.

The US embassy yesterday issued a warning to Americans to stay clear of the area where the rioting took place, saying there were likely to be more demonstrations.

Ms Megawati warned last week that government interference in the PDI could prompt demonstrations, disrupting the country's usually staid and understated political life where opposition is closely controlled by the government.

The JKSE Composite Index closed down 2.501 points at 580.674 as jitters over potential political instability continued to keep foreign stock market investors at bay.

A demonstrator is kicked as baton-wielding security forces charged into a crowd of protesters to stop them marching on the Home Affairs Ministry in Jakarta yesterday Reuter

Manuela Saragosa on why thousands of Indonesians have been taking to the streets

Indonesia's opposition departs from the script

The home affairs minister opened it, the country's chief military commander is attending it and the government has offered to fund it. Some 2,800 soldiers are there to ensure security. It is a meeting of the opposition, Indonesia style.

The reason for this benevolence on the part of the government is that the five-day congress it is backing is designed to replace the leadership of the opposition Indonesian Democratic party, known by its Indonesian acronym PDI, with someone it regards as less politically troublesome.

Which explains why thousands of Indonesians, less well-disposed to a traditionally tame opposition, took to the streets yesterday and demanded that they be allowed to decide for themselves who should perform the task of challenging the government, led for 30 years by President Suharto.

If the dissident congress, a splinter group that includes 16 members of the party's 28-member central board, succeeds, it will replace the current leader of the PDI, Ms Megawati Sukarnoputri, with someone more obedient and friendly to Mr Suharto. She, after all, is the daughter of Indonesia's founding President Sukarno, whom Mr Suharto ousted in the aftermath of an aborted coup in 1965. Former president Sukarno is still championed by many Indonesians for his nationalism, and his daughter has of late taken on the mantle of spokeswoman for the disaffected.

Analysts say the extent to which the threat to Ms Megawati's leadership continues to prompt demonstrations will be an indication not only of the support she claims to have but also of general discontent with President Suharto's rule.

The PDI is the smaller of the two permitted opposition political parties outside the ruling Golkar party. The other is the more obedient, Islam-based United Development party (PPP). In the theatre of Indonesian politics, these parties play "opposition". But since her election as the PDI's leader for a five-year term in 1993, Ms Megawati has gone beyond the government-sanctioned script and her supporters want her to run at the next presidential elections in 1998.

"[Ms Megawati] has assumed the role of leading opposition to the government and she could be the rallying point for everyone who sees it as important to say no to the government," said Marsillam Simanjuntak, a political activist at Forum Demokrasi, a loosely-knit organisation of Indonesian intellectuals.

In what amounted to one of the strongest challenges to President Suharto's rule in recent years, Ms Megawati and her supporters last week lashed back at government meddling in the party, warning that they could mobilise "tens of millions" of people around the archipelago to demonstrate for democratic rule.

In the staid environment of Indonesian politics, there are no barometers with which to measure Ms Megawati's popularity. However, two things work in her favour. Her political credibility is strengthened by her unofficial alliance with Mr Abdurrahman Wahid, leader of the Nahdlatul Ulama, Indonesia's largest Moslem organisation, which claims 30m members nationwide.

The NU's Islamic tolerance sits comfortably with the country's powerful military, which has historically been averse to Islamic fundamentalism in its role of protector of the secular state; some 90 per cent of Indonesia's 200m people are Moslem.

Mr Wahid is clearly siding with Ms Megawati in the PDI's leadership battle, although he is coy when asked whether he will mobilise his popular organisation to support her. "We don't like to be seen grouping up against anybody," he said.

Political analysts say Ms Megawati could prove a powerful vote-puller in parliamentary elections next year, especially among the youthful electorate in her power base in Jakarta and east Java.

Although she has no clear agenda, under her leadership the PDI has pushed for more democratic reform at a time when there appears to be growing resentment at the length of time President Suharto and Golkar have held power.

Because of constraints on campaigning and government screening of regional candidates, there is little doubt that Golkar will win next year.

Nevertheless, the ruling party needs to secure a large chunk of the vote to maintain its legitimacy. "This government needs legitimacy from society and that legitimacy has to come from the general elections," said Arbi Sanit, a political scientist at the University of Indonesia. Golkar's share of the vote slipped to 68 per cent in 1992 from 73 per cent.

If the PDI is headed by a government-backed leader, the authorities can "guarantee that there will be no recalcitrant elements in the next parliament", said a Jakarta-based Indonesian political analyst.

Meanwhile, Mr Suharto, who has not indicated whether he will run for a seventh five-year term but may well nominate a successor, has never been challenged in a presidential election because government control over opposition parties has never allowed them to exercise their right to nominate a candidate. However, Ms Megawati has indicated she would not hold back.

The rival PDI congress is due to tackle the leadership battle today. The question is whether Ms Megawati will defend her leadership by mobilising people to continue demonstrating against the government. She wants political change, but bloody change is not her first choice. "If a correction can be made without violence, it is much better," she said.

Threat of S Korea strike wave ebbs

By John Burton in Seoul

The threat of a wave of industrial action in South Korea appeared to be subsiding rapidly yesterday as trade unions won concessions.

A strike at Mando Machinery, the country's largest car parts company, which had crippled the motor industry this week, was tentatively settled last night.

Another dispute at Kia Motors, the second biggest car manufacturer, was expected to be resolved soon.

The moves in the car industry followed the abandonment of a planned strike by public sector workers yesterday morning after the government made last-minute concessions.

The outcome is regarded as a victory for an outlawed labour organisation, the Korea Confederation of Trade Unions. It had been sponsoring the industrial actions to push for higher wages and labour law reforms, including its own official recognition.

The government agreed to most of the demands by workers at Korea Telecom, the state telephone company, and the underground system in Seoul and Pusan, the country's two largest cities.

These include reinstating workers sacked for supporting KCTU activities, and a wage increase of 8 per cent.

So far this year, the average pay rise in labour agreements has been 5.1 per cent.

Workers at Mando Machinery received a 11 per cent wage rise.

The strike there led to a shortage of components which caused production to be shut down at Hyundai Motor, the largest car manufacturer.

The concessions were made only a day after the government threatened to use force to stop the strikes, as it has done on previous occasions. "We are now taking a more mature attitude to labour relations," explained a government spokesman.

Analysts believe that the government climbdown might reflect concern that a harsh response to the strikes could jeopardise Korea's application to join the Organisation for Economic Co-operation and Development this year. Some OECD members have criticised the country's strict labour laws and its arrest of trade union leaders, and have demanded an improvement in worker rights.

However, Mr Rha Woong-bae, deputy prime minister for economic affairs, warned yesterday that economic growth could be imperilled if wage costs continued to outpace productivity. According to the government, labour disputes this year have already cost the nation $250m in lost production even before the strikes in the car industry erupted this week.

Awami League reaches the threshold of power

By Mark Nicholson, South Asia Correspondent

Bangladesh's Awami League was yesterday waiting to be asked to form a government following the general election.

Its position as the biggest party in parliament has been consolidated after polling was repeated in 27 seats. With one result pending, the re-polling gave the League, led by Sheikh Hasina, a total of 146 seats. This is 30 more than its nearest rival, the Bangladesh Nationalist party (BNP), but short of an outright majority.

Awami League leaders say they have undertakings of support from the Jatiya party. This is Bangladesh's third biggest political group and is led by the imprisoned General Hossain Mohammed Ershad, the country's former military leader.

Re-polling was forced by "irregularities" in 27 seats during the June 12 general election, which international and local observers said was otherwise largely fair and peaceful. Defeated BNP leaders have said they believe rigging to have been more widespread, though the party has not challenged the result directly.

Sheikh Hasina will need Jatiya's backing to install her government, and a vote of confidence is expected next Monday after the new MPs are sworn in this weekend. The total number of MPs in the 300-seat house will be only 284, since some politicians stood and won in several different constituencies, as permitted by Bangladeshi election law.

Awami League and Jatiya party leaders were meeting last night to discuss a new government, amid speculation in the capital, Dhaka, that Gen Ershad might be released on a short parole to attend the swearing in. The Jatiya party has said it will only align with a party which will help bring about his release. The general is serving a sentence for corruption since being deposed in 1991. Sheikh Hasina has said only that she will "allow the law to take its course". The general faces three more years in jail, though appeals are pending in some of the cases.

Should the Awami League win an initial vote in the house it can bolster its majority under a constitutional quirk allowing parliament to elect a further 30 women MPs.

Papua New Guinea tries again to crush rebellion

By Nikki Tait in Sydney

A military offensive by the Papua New Guinea government against secessionist rebels on the island of Bougainville has been criticised by Australia's foreign minister, Mr Alexander Downer. It was likely to prove counter-productive and would "simply exacerbate the situation", he said. Canberra had expressed its concern formally about the military build-up.

The PNG government launched the operation yesterday in an attempt to crush the secessionist movement on Bougainville.

The large island, to the east of the Papua New Guinea mainland, has been the scene of a bloody guerrilla war since the late 1980s.

The latest military action comes three months after lengthy efforts to achieve a peaceful solution collapsed and the PNG government ended a ceasefire.

The Bougainville conflict first erupted when landowners and secessionists on the island combined to close down the Panguna copper mine. This had been an important source of revenue for the Papua New Guinea government and a significant element in the country's economy.

Earlier this week, Amnesty International, the human rights group, again raised concerns about reported abuses by both government forces and the Bougainville Revolutionary Army. Fears of a new escalation prompted protesters to gather outside the PNG consulate in Sydney yesterday.

Extended wrangle looms after White House threatens to veto reappointment of Boutros Ghali

US provokes bitter struggle over top UN job

By Jurek Martin in Washington and Michael Littlejohns at the United Nations

The US yesterday publicly raised the prospect of using its veto as a Security Council member to block the appointment of Mr Boutros Boutros Ghali to a second five-year term as secretary general of the United Nations.

Spokesmen for both the White House and State Department said the refusal of Mr Boutros Ghali to accept a face-saving one-year extension of his term left the US with no alternative.

"We think there are other people in the world more capable of pursuing the UN reform agenda," said Mr Mike McCurry, speaking for President Bill Clinton.

Both he and Mr Nicholas Burns of the State Department said the US had at this stage no preferred candidate of its own. Mr Burns described Mrs Mary Robinson, president of Ireland, as eminently qualified, but she had apparently taken herself out of consideration in a Dublin statement earlier.

The prospect of a veto threatens a confrontation between the US – likely to be supported by the UK – and France, a stronger supporter of the secretary general, and probably Germany. China has also chipped in by saying it thinks the UN should not be headed by a European, since three of the six secretary generals have come from the continent.

However, at this stage, Mr Boutros Ghali apparently enjoys the support of a majority of the member states. Next month's summit in Cameroon of the Organisation of African Unity, which he will attend, is expected to endorse him.

Of other prospective candidates, Mr Kofi Annan from Ghana, head of UN peacekeeping, has admirers in Washington. So does Mrs Sadako Ogata, the highly regarded UN high commissioner for refugees. But she, like Mrs Robinson, is thought unlikely actively to seek the post.

Mrs Gro Harlem Brundtland, the Norwegian prime minister, is also believed to be interested, as is Mr Maurice Strong, the veteran Canadian businessman, environmentalist and UN administrator.

Relations between Mr Boutros Ghali and the Clinton administration have been frequently difficult over the last three and a half years, exacerbated by personal friction between the secretary general and Mrs Madeleine Albright, the US ambassador to the UN.

A particular bone of contention centred on Bosnia, with the US convinced that the secretary general and his special envoy, Mr Yasushi Akashi, were loath to call in air strikes in 1994 to halt Serb aggression.

But the US has also been dissatisfied with his leadership of the UN bureaucracy and his willingness to introduce rationalisation programmes that might ease its financial crisis, itself made worse by $1.5bn in US dues arrears.

The UN in general, and Mr Boutros Ghali in particular, have been favourite targets of conservative US politicians for years.

Mr Bob Dole, the presumed Republican presidential nominee, has frequently and sharply attacked the secretary general as the epitome of all that is wrong in international bureaucracy, specifically objecting to the prospect of US soldiers serving under UN command.

But the future of the UN was unlikely ever to become a major campaign issue between Mr Dole and Mr Clinton in a country paying more attention to domestic issues. Still, it appeared the administration's preference, actively pushed by Mr Warren Christopher, the secretary of state, was for a compromise solution that would put off any US decision until after the November presidential election.

But Mr Boutros Ghali defiantly rejected the final US offer in Bonn on Wednesday night and formally declared his candidacy, even though it had been apparent for months that he was running for a second term.

Not completely ruled out is a change in the UN charter under which the secretary general would serve one seven-year term. Mr Boutros Ghali had expressed interest in this idea, which would have kept him at the UN helm until the end of 1998, but Wednesday's dénouement probably makes this less likely.

Thus, the UN faces a lengthy search for a successor that is likely to be bitter and on the outcome of which the organisation's very survival as a viable institution could depend.

It took months to find a successor to Mr Dag Hammarskjoeld in 1961 when the UN was virtually paralysed by Soviet demands for a change in the entire leadership system. The elections of Mr Kurt Waldheim in 1971 and Mr Javier Perez de Cuellar 10 years later both were preceded by squabbling among the major powers fighting for favourites.

Before accusations were made about Mr Waldheim's unsavoury military past, he would have been re-elected for an unprecedented third term with American support but for China's veto, which was invoked 16 times.

Names in the frame . . .

Kofi Annan, 58, Ghanaian, UN official since 1962
Head of UN peacekeeping
Has admirers in Washington and seen as a skilled bureaucrat

Boutros Boutros Ghali, 73, Egyptian, Politician and international civil servant,
Incumbent secretary general, Faces US veto despite support of most UN members

Gro Harlem Brundtland, 57 Norwegian, Physician and politician Norwegian prime minister, Former head of UN environment commission
If she runs "she will run hard"

Mrs Sadako Ogata, 69, Japanese, UN High Commissioner for Refugees
Highly regarded, but doubts about whether she will actively seek the post

Mary Robinson, 52, Irish, Lawyer and politician, President of Ireland,
Highly regarded by US but doubts over whether she wants to be in the running

THE SUMITOMO AFFAIR

UK fraud officers to visit Japan

By Jimmy Burns and Kenneth Gooding in London

The UK Serious Fraud Office is to send a team of officers to Japan early next week as part of a growing investigation into the Sumitomo copper affair.

An SFO spokesman last night denied reports from Tokyo that Mr Yasuo Hamanaka, Sumitomo's former chief copper trader, who is at the centre of the affair, had voluntarily flown to London to make himself available for interview. "Mr Hamanaka is not in the UK and we would know if he was," a spokesman said.

While it clearly wants to interview Mr Hamanaka, it is understood that the SFO is not ready to do so yet. As one official put it yesterday: "We are still trying to get up to speed on all the issues. We will want to interview him once we feel confident about the subject matter."

The SFO was brought into the international investigation last week following earlier investigations by the Securities and Investments Board (SIB), the chief City regulator, and the Securities and Futures Authority. The SFO is investigating companies believed to have conducted extensive trading with Sumitomo.

Meanwhile, Merrill Lynch, the US investment bank, has responded to Japanese reports that it handled the "secret" account operated by Mr Hamanaka. Merrill insisted that all Sumitomo's accounts were properly authorised by Mr Hamanaka's superiors and were reaffirmed as recently as May this year.

Merrill also denied suggestions that it suffered big losses in the copper market turmoil. "We have no significant exposure to the copper market either on our own or clients' accounts," an official said.

The London Metal Exchange's copper market remained calm yesterday and showed every sign of returning to normal trading, although some uncertainties exist about whether Sumitomo still has substantial positions to liquidate. Most traders in London were convinced that most of these positions were settled privately in hectic behind-the-scenes activity during the weekend.

LME copper stocks are comparatively low, which will discourage attempts to drive the price down, they suggested, but the medium-term outlook was for prices to fall because of a growing supply surplus.

Observer; Japan's risk management, Page 13

Arabs meet to measure Israel's Netanyahu

Long divided ranks have been closed to confront the new order in the region, writes **David Gardner**

Arab leaders are more noted for their ability to pick quarrels among themselves than reaching common positions. But the election of Mr Benjamin Netanyahu, who took over as Israel's prime minister this week with a programme to keep most of the Arab land Israel still occupies, was more than enough to prompt the first Arab summit for six years, opening in Cairo today.

The Arabs have been too divided to hold a summit since their last meeting in August 1990 after Iraq invaded Kuwait. President Saddam Hussein's Iraq is not invited to Cairo. But fears that Mr Netanyahu's coalition of hawks and religious fundamentalists will freeze four years of effort by Israel and its Arab neighbours to reach peace have driven the rest of the Arab League to close ranks.

The guiding principle of the negotiations pursued by the previous Labour-led coalition in Israel was land-for-peace. This secured interim Palestinian self-rule in Gaza and most main cities of the West Bank; and peace with Jordan; and two hard years of negotiations with Syria on peace for which Damascus demands the return of the Golan Heights, seized by Israel in the 1967 Arab-Israeli war.

Mr Netanyahu, however, has taken Arab land out of the equation, and substituted "peace-for-peace", a formula Arab governments regard as tantamount to a declaration of war if he sticks to it.

Specifically, the new Israeli coalition's agreed policy:

- Rules out a Palestinian state, offering instead self-government, which Palestinians already have, but curbed by Israel sending in its security forces whenever it sees fit;
- Rules out the return of occupied Arab east Jerusalem, claimed by the Palestinians as their capital, stating that the whole city "will remain forever under Israel's sovereignty";
- Rules out the "right of return" of more than 4m Palestinian refugees "to any part of the Land of Israel west of the Jordan River", including therefore the Palestinian West Bank, which will stay under Israeli sovereignty;
- Rules out the return of the Golan to Syria;
- Pledges to expand and extend Jewish settlements on Arab land;
- Pledges to keep the water resources of the Golan and the West Bank.

Mr Netanyahu says he is willing to negotiate peace without preconditions and will honour the agreements reached so far with the Palestinians, provided they do the same. But the programme flouts at least four UN Security Council Resolutions, ignores the agreed basis for peace negotiations sponsored by the US, Russia and the European Union, and pre-empts the "final status" negotiations with the Palestinians, on Jerusalem, borders, refugees, and settlements.

Arab leaders fear he has gone back to the dead letter of the Palestinian autonomy formula contained in the 1979 peace deal with Egypt. The intention then, they believe, was to divide the Arabs, and remains so today. The question dividing them now is whether Mr Netanyahu really intends to do what he says, or is simply misreading the Arab world.

The Israeli leader reckons, for instance, that the return of the Golan ranks a lowly fifth place down President Hafez al-Assad's list of priorities, below security for his regime, Syria's regional status, control of Lebanon, and good relations with the west. Put like this, politics in Syria sounds like shopping, or a letter to Father Christmas.

But if ever Mr Assad agreed to negotiations which precluded regaining the Golan, he would forfeit his minority regime's legitimacy and his current standing in the Middle East, probably start losing his grip on Lebanon, and lose the attention of the US, which courts him because it believes he holds one of the keys to a comprehensive regional peace.

There is a similar misreading of the Palestinians. Mr Netanyahu's aides underline the view that Israel has security interests in the West Bank, but easily reduce Palestinian rights to a managerial problem.

"People need jobs, not the symbols of a state," says Mr Dore Gold, the new premier's adviser on regional affairs. Underlying Mr Netanyahu's approach is the belief that, rhetoric apart, Arab governments care not a fig for a Palestinian state. The evidence shows that most Arab leaders have in the past manipulated, and sometimes sabotaged, the Palestinian cause.

But this was to strengthen their own position. Israel, as a democracy, has little sense of the limits to which Arab autocrats are subject. Or that any even half-formal collusion with Israel in denying Palestinian rights would undermine their position at a time when the legitimacy of most Arab regimes is under challenge, especially from Islamic fundamentalists.

Last May, for example, the only other occasion since 1990 when an Arab summit was called, the issue was Israeli expropriation of Palestinian land in east Jerusalem; the meeting was called off when Israel revoked the decree.

The most sanguine Arab view is that Mr Netanyahu will have to bend to reality. "There are realities on the ground," says Mr Ahmed Qorei (Abu Ala), the PLO's chief negotiator and speaker of the legislature elected by Palestinians from the West Bank, Gaza and Jerusalem in January under the Oslo agreements. The Palestinians have a government, police and security forces, which contribute to Israeli security. The head of Israel's Shin Bet security service said before the elections that such co-operation had foiled 14 suicide bomb attacks by Hamas, the Palestinian Islamist group.

Another reality of the peace process is that the international community has started treating Israel like a normal country. The Arab secondary boycott on countries and companies doing business with Israel has withered away, diplomatic recognition of Israel has doubled from 85 to 161 countries, Israeli exports have doubled and foreign investment in Israel has multiplied.

A return to the Arab boycott is unlikely, and probably impractical, at this stage. But Mr Netanyahu's advent has rehoisted the tattered banner of pan-Arab unity, regrouping scattered forces around the Syrian proposition, gaining support yesterday from Egypt and Saudi Arabia, that normal commercial and diplomatic relations with Israel should be made conditional on real advances towards peace. Or rather, land-for-peace.

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ILO seeks to protect home jobs conditions

By Frances Williams in Geneva

The International Labour Organisation yesterday adopted a convention to protect the growing millions of workers employed at home around the world, despite the concerted opposition of employers' organisations and several governments including Britain and Germany.

The convention, designed to provide basic social protection and trade union rights for home-workers, is the first ever adopted by the ILO without the support of employers, who have equal weight with governments and trade unions in the ILO's tripartite structure.

Employers' representatives abstained in the vote on the final day of the ILO's annual conference in Geneva. Last week they unsuccessfully tried to block discussion of the draft convention but were out-voted by the trade unions joined by a number of governments.

Trade unions argue strongly that international standards are essential to prevent increasing exploitation of home-workers by companies competing globally to produce at the lowest possible cost.

Home-workers, most of whom are women, work long hours for often minimal pay and have little or no access to benefits available to other wage-earners such as sick pay, paid holidays or pensions.

The International Organisation of Employers (IOE) said yesterday the convention was "fundamentally flawed" and would "not create one single new job in the world". On the contrary, it would, if ratified, limit the prospects for expansion of home-work, one of the few employment growth areas.

The IOE had argued for a non-binding ILO recommendation on home-workers that would provide guidelines on improving their conditions.

The employers' stand on the home-working convention is part of a broader campaign against the "inappropriate proliferation" of ILO conventions, many of which have been ratified by only a few of the ILO's 173 member governments.

- The ILO conference yesterday agreed to set up a special commission of inquiry into the use of forced labour in Burma. Short of expulsion, the decision is in effect the most severe sanction in the ILO's armoury against violations of basic labour rights.

OECD ECONOMIC OUTLOOK

Poor prospects on jobs front

By Robert Chote, Economics Editor

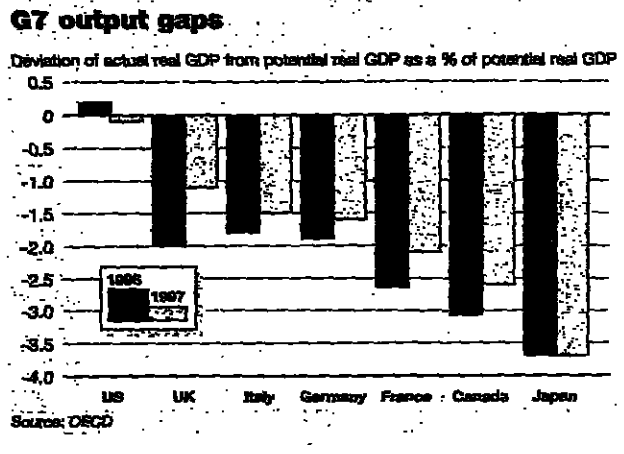
Most industrialised countries are close to achieving their medium-term goal of price stability, the Organisation for Economic Co-operation and Development said yesterday. Inflation this year should be below 3 per cent in 19 of its 27 member nations.

The prospects for employment are less bright, however. Unemployment is expected to start rising again this year in Europe, with the jobless rate for the OECD as a whole staying close to 7¾ per cent this year and next, according to the organisation's latest Economic Outlook.

"With output growth projected to average below potential rates in most countries during 1996-97, pressures on capacity should continue to ease, ensuring that inflation remains modest or continues to fall."

The industrial country think-tank said that fine-tuning economic activity could imperil the achievement of low inflation, but that "judicious use of monetary easing could help to raise output and employment without generating inflationary pressures" in some key European economies.

G7 output gaps



Source: OECD

The OECD estimates that the gap between actual output and the potential level consistent with stable inflation will still be above 2 per cent in France next year and 1.6 per cent in Germany. In the UK, which is forecast to be the second fastest growing economy in the Group of Seven next year, the output gap should almost halve to 1.1 per cent.

Output in the US should slip slightly below potential next year, but monetary policy should remain cautious. The OECD stuck by the forecasts for the world's big economies which it released at its annual meeting last month.

"The short-term outlook is for greater convergence across the main OECD regions, with continued sustainable growth in the US, a more sustained recovery in Japan and a pick-up in Europe." Business investment is expected to lead the expansion, although the recovery projected for later this year may not happen at all unless it is accompanied by a sharp turnaround in business and consumer confidence.

The outlook said that setting interest rates was made more difficult by structural reforms, which should reduce the output and unemployment levels consistent with stable inflation. Unfortunately, it is impossible to tell precisely what the effect of structural change will be. "There would appear to be little option other than 'feeling the way' ahead by allowing unemployment to fall, and output growth to pick up gradually, while maintaining close surveillance of possible inflationary pressures," it said.

The OECD also warned against using expansionary policies to sugar the pill of structural reform. This could prove risky if reform faltered or if the macroeconomic impact was not as expected.

Nigerian parties apply to register with military

By Paul Adams in Lagos

At least four Nigerian political groups, including one led by Mr Arthur Nzeribe, who tried to halt the 1993 presidential election and extend military rule, are applying for registration as political parties to take part in the military government's transition to civil rule in 1998.

The other prospective parties are led mainly by sacked ministers from Gen Sani Abacha's first civilian cabinet and members of the government's constitutional conference, who argue that the only way to ensure the military hand over power is to co-operate with their programme.

But the anti-government National Democratic Coalition, which includes several prominent members in exile, rejects the programme as over-long and unworkable, while the mainstream politicians of south-west Nigeria, based around Lagos, say that there can be no progress until their grievances over the annulled 1993 presidential poll are resolved.

Guidelines for political parties issued this week require each party to have officials and at least 40,000 card-carrying members in each of Nigeria's 30 states, and 15,000 in the federal capital Abuja, by July 24 so that they can be registered in September, when party-based local elections are due.

Prospective parties which fail to meet the deadline will be excluded from the transition programme, which is the regime's answer to international criticism of its record on human rights and democracy leading to limited sanctions by the west and suspension from the Commonwealth, which comes up for review in London next Monday.

The government says the party guidelines, which exclude members of the armed forces, civil servants and traditional rulers from party membership, are to ensure that parties are not regionally biased and focus on practical solutions to the country's problems.

- Reuter adds from Lagos: Eleven people, including the military administrator of Nigeria's Kano state, were killed when their executive jet crashed near the central Nigerian city of Jos yesterday, officials said.

Owens Corning sues over asbestos

By Richard Tomkins in New York

Owens Corning, the biggest US maker of fibreglass insulation, yesterday said it had filed a lawsuit claiming that it had been cheated of millions dollars through a fraud involving false asbestos damages claims.

It said operators of three testing laboratories doing business throughout the south-eastern US had solicited claimants and deliberately falsified test results so that they could claim compensation from the company over asbestos-related illnesses.

Owens Corning said that at least 40,000 claims were under investigation and that the sums involved ran into tens of millions of dollars. It said it was seeking compensation of three times the money paid out, plus punitive damages.

Mr Chris Campbell, company secretary and general counsel, said: "The significance of this lawsuit is momentous. We believe that our company and other co-defendants have been seriously financially injured as a result of the generation of these false claims.

"We believe that the nature and extent of this fraudulent conduct has significant and far-reaching implications for the entire course of asbestos litigation."

Owens Corning used asbestos in the manufacture of some of its insulation products for 14 years until 1972. As a result, it is a co-defendant, with other manufacturers and suppliers of products containing asbestos, in litigation citing billions of dollars.

Sums already paid by Owens Corning, over damage to health and property, total $2.5bn, most of which has been met through the company's product hazard insurance.

The company said yesterday that it had filed a lawsuit in the US district court for the eastern district of Louisiana, in New Orleans, naming Mr Glenn Pitts and his cousin Mr Jewel "Jerry" Pitts, among others.

The Pitts were said to have been owners, officers or consultants of Pulmonary Advisory Services, Pulmonary Advisory Services of Louisiana, and Pulmonary Testing Services. They and their companies could not be reached for comment.

Owens Corning said its lawsuit alleged a deliberate scheme to create fraudulent medical documentation based on improperly administered tests which yielded falsified results.

The falsified claims, it alleged, had made individuals appear to be suffering from asbestos-related pulmonary illnesses, even though they were not ill, or made individuals appear to be suffering from a more severe pulmonary illness than they were in fact suffering.

Owens Corning also said that it was taking a charge of $545m to cover asbestos claims after 1999, for which it had not provided, and said it was holding talks with 30 law firms in an effort to resolve its asbestos liability.

S Africa assails new Cuba law

South Africa yesterday criticised new US sanctions against companies trading with Cuba, and President Nelson Mandela urged the two countries to reconcile their differences through dialogue, AP reports from Cape Town.

The Cuban and South African foreign ministers signed a document condemning the Helms-Burton law, named after its congressional sponsors, as an attack on the sovereignty of foreign nations. The law allows companies to file law suits in US courts against businesses that trade or "benefit from" property seized from US citizens after Cuba's 1959 revolution. It can also block US visas for company executives and their families.

Mr Mandela urged American and Cuban leaders to look at South Africa's non-violent abolition of apartheid as an example of how they can resolve their differences. "We have sat down with our enemies and questioned the wisdom of us slaughtering one another when we could sit down and talk," Mr Mandela said after meeting Mr Roberto Robaina, the Cuban foreign minister

The US has criticised South Africa for establishing diplomatic links with Cuba after Mr Mandela's election in 1994.

Fed chairman's third term approved after long delay

Senate confirms Greenspan

By Jurek Martin in Washington

The US Senate yesterday finally approved the long-delayed nomination of Mr Alan Greenspan to a third four-year term as chairman of the board of the Federal Reserve, the nation's central bank. The vote was 91 to seven.

It was then due to vote on two more appointments to the Fed board – those of Ms Alice Rivlin, the White House budget director, as Mr Greenspan's number two, and of Mr Laurence Meyer, a university economist, to fill the remaining vacancy.

President Bill Clinton nominated the trio in February, but Senator Tom Harkin, the liberal Democrat from Iowa, has been blocking a vote ever since, even though the outcome has not been in doubt. This is common practice in the chamber, as numerous ambassadorial and foreign policy nominees meeting with the disfavour of Senator Jesse Helms, the arch-conservative Republican from North Carolina, have discovered.

Last week, Mr Harkin achieved a compromise with Senator Trent Lott, the Senate's new majority leader, whereby he would withdraw his objections in return for three full days of debate on the nominations. Last Thursday and Friday, and yesterday, were set aside for this.

Mr Harkin's principal objection to Mr Greenspan, a Republican first appointed by President Ronald Reagan, was that he had conducted a monetary policy unnecessarily tight for the growth needs of the economy. The senator, who is up for re-election this year and who ran unsuccessfully for the Democratic party's presidential nomination in 1992, has made much of the fact that high interest rates have damaged his farming constituency.

The long delay has proved an embarrassment for the Clinton administration. The president had spoken to Mr Harkin about it, but privately, and was clearly not willing to risk the loss of a Democratic seat in the senate by breaking publicly with the senator.

Mr Greenspan himself had remained phlegmatic, but Ms Rivlin is understood to have become frustrated at the impasse.

A stickler for budget rectitude, she has found herself at some odds with White House political strategists interested in boosting spending for re-election purposes.

The frustrated and the phlegmatic: Rivlin (left) and Greenspan were awaiting their votes

Clinton poll leads stay strong

By Jurek Martin in Washington

Republican hopes that the Whitewater affair and other much-publicised problems for the White House will damage President Bill Clinton's chances of re-election in November continue to be disappointed, according to the latest national and state public opinion polls.

A Washington Post/ABC News survey, out yesterday, found the president leading Mr Bob Dole, the presumed Republican nominee, by 20 points (55:35 per cent), only two points down on his margin of mid-May. That is close to the most recent New York Times/CBS News poll, which put the gap at 19 points (57:38 per cent).

Other polls have shown a smaller difference, last week's Time/CNN survey having shown only a six-point gap. That brought much encouragement to the Dole campaign, although the poll's analysts warned it might only reflect a fleeting surge in support for the Republican's decision to leave an unpopular Congress.

The safest guess from the various national surveys – tallying with the internal polling of both campaigns – is that the president still appears to hold a lead of about 15 points.

That has remained near-constant for some months, in sharp contrast to the volatility of 1992, when Mr Clinton, President George Bush and Mr Ross Perot, the independent candidate, exchanged the lead among themselves in the early summer.

The news from the latest state polls, however, remains bleak for Mr Dole. In spite of recent campaigning in California, this week's Field poll found Mr Clinton ahead by 23 points (57:34 per cent) in the largest state, seven points up on the previous survey in March.

In a four-way race, Mr Clinton had 44 per cent, Mr Dole 29 per cent, Mr Perot 13 per cent and Mr Ralph Nader, the veteran consumer activist, 8 per cent. Mr Perot's plans remain unclear, but include the possibility that Mr Dick Lamm, a former governor of Colorado, might run as the nominee of his Reform party.

In New York, the third biggest state, a local poll put Mr Clinton ahead by no fewer than 33 points (63:30 per cent). In Florida, a state Mr Dole must win, Mr Clinton was leading by 13 points (48:35 per cent).

Mr Clinton is even competitive in many of the 13 southern and border states long considered the Republican stronghold.

This has forced Mr Dole to spend, in shoring up his base, time which might have been more profitably put into the larger, battleground states.

Most surveys found greater public awareness of the Whitewater affair but little inclination yet of its elevation to the level of concern reserved for issues such as crime and the economy.

Among young surfers, Tom makes waves

Even in an industry where whizzkids abound, this fellow is a spring chicken, writes Bernard Simon

Tom Williams has the work habits and lifestyle of a typical North American computer executive. As director of online media at Vancouver's fledgling MultiActive Technologies, he spends long days (and sometimes nights) preparing to launch an inter-active science education magazine on the Internet later this year.

His last job was with Apple Computer in California, and he says he turned down a job offer earlier this year from Microsoft founder Mr Bill Gates.

He often eats dinner at a well-known Italian restaurant on Vancouver's chic Robson Street, before walking home to his two-bedroom condominium on False Creek.

What makes Mr, or rather Master, Williams unusual is his age. Even in an industry where whizzkids abound, Tom is a spring chicken. He turned 17 last January.

Self-assured yet likeable, Tom began his career at the age of 13 while still at school in Victoria, British Columbia. He created a computer game that he boasts was "so cool that if you were stranded on a desert island and wanted one piece of software, you'd take this one".

Tom also set up a consultancy to help neophytes buy and install computer equipment. Mr Richard Catinus, Apple's local sales manager who previously ran a computer store, recalled that the 13-year-old "phoned me up, introduced himself as a computer consultant and asked if he could bring his customers into the store".

Apple's systems engineer in Victoria told head office about the young entrepreneur. As Tom recalls, in May 1993 he received a personal letter from Apple's then-chief executive Mr John Sculley and two air tickets to a software developers' conference in California.

Mr Sculley's office has a somewhat different version of events. "[Tom] wanted to introduce himself," Mr Sculley's assistant said. "He was persistent."

A job offer followed a few months later – "my mom would know the date". Apple confirmed that Tom worked in its interactive music group, but declined to discuss his duties or performance.

Apple was able to get around child-labour laws by hiring Tom's BC-registered company, called White Sands, as a contractor.

Tom stayed in California for two years. But, he said, Apple "was not a company that I could grow any further with in my professional career. I wanted to find a company that I could work with on creating a project for kids." Furthermore, "Bill Gates' offer didn't terribly excite me," he said. (Microsoft officials were unable to comment on any dealings with Mr Williams.)

MultiActive, Tom's present employer, was started last year by Mr Terry Hui, chief executive of Concord Pacific, a large Vancouver property developer whose shareholders include Mr Li Ka-shing, the Hong Kong tycoon, and Hong Kong's Hui family.

Tom declined to reveal his pay. "Didn't your mother teach you not to ask other people how much they earn?" he asked an interviewer almost three times his age.

He said he makes "a very comfortable salary". The Victoria Times-Colonist last year reported his annual earnings at C$90,000 (US$58,000). The figure emerged in court when his father, an English professor at the University of Victoria, applied to be relieved from child support payments to his ex-wife, Tom's mother.

Mr Sculley, who is now chief executive of Live Picture, a California-based imaging software company, invited Tom to New York recently to discuss his involvement in a children's TV programme due to go on the air in 1998 as a successor to Sesame Street.

Asked whether he worries about burning out at an early age, Tom ticked off his numerous other interests. He was principal cellist with the Victoria Youth Orchestra, and still plays regularly. He said he had just finished reading Dostoevsky's *House of the Dead*.

In some ways, Tom Williams has the air of a happy-go-lucky teenager. "To my family I'm nobody but another kid," he said. "I'll tell my mom about a deal, but all she wants to know is whether I'm eating and sleeping enough."

Tom Williams: created a 'so cool' computer game

Oil imports widen trade gap

A surge in imports of crude oil helped push the US trade deficit up 7.7 per cent in April to $8.63bn from a revised $8.01bn in March, the Commerce Department said yesterday, Reuter reports from Washington.

Total imports were up 1.7 per cent to a record $78.57bn as shortfalls widened sharply with the nation's trade partners, including China, Canada and Mexico. Overall April exports rose 1 per cent to a record $69.94bn. The April deficit nonetheless was slightly under Wall Street economists' expectations of an $8.7bn gap.

"In the long run, what it does show is that the decline in the US trade deficit is slow," said Mr Ron Leven, global markets strategist at J.P. Morgan Securities.

Crude petroleum imports shot up 31.3 per cent in value during April to $4.32bn – the highest for any month since November 1990, when they totalled $4.7bn. The cost of imported crude jumped to $19.33 a barrel from $17.33 in March. Steep oil price rises have shown up at the pumps for drivers. However, analysts expect pump prices to ease in coming months as more oil comes on to the world market and supplies of imported crude are built up.

The deficit with Japan was virtually unchanged in April, down a fractional 0.2 per cent from March to $4.1bn. But the politically sensitive trade gap with China jumped 29 per cent to $2.34bn in April.

Meanwhile, the current account deficit, the broadest measure of US trade performance, grew to $35.59bn in the first quarter of this year from a revised $30.44bn in the fourth quarter of last year, the Commerce Department said.

Trying to put Brazilian reforms into top gear

Jonathan Wheatley finds a government switching tactics so as to outflank an obstructive minority in Congress

Brazil's government, in trying to put a positive gloss on its lack of success in pushing constitutional amendments through an uncooperative Congress, has declared a shift of tactics in an attempt to implement crucial fiscal reforms.

It is planning to introduce reforms by such means as presidential decrees and ordinary legislation not requiring the two-thirds majority needed for constitutional amendments.

The change, if successful, would help marginally to stabilise the public accounts, though analysts say constitutional changes will still be necessary to safeguard Brazil's new-found economic stability.

"There are some areas that depend on changing the constitution," said Mr Benito Gama, government leader in the lower house of Congress, "but there is much that can be done by other means."

The government proposes to use ordinary legislation to cut state taxes on exports. It hopes this will increase the competitiveness of Brazilian products on world markets and stimulate economic growth. The administration will also seek, where possible, to reduce spending in the public sector: for example, through voluntary redundancies, capping salaries, and dismissal of recently hired public sector workers.

The constitution guarantees jobs for life to municipal, state and federal employees. Many states, unable to trim their bloated bureaucracies, spend more than 90 per cent of tax revenues on salaries. However, recent attempts by some states to cap salaries and dismiss workers have been overturned in court.

"There is room to reduce spending on salaries within the existing structure," said Mr Gama, "but the judicial position is sometimes unclear. That is why we will persist with constitutional reforms while seeking other solutions."

The government has also persuaded Congress to cancel the July recess, which should allow voting to be completed on social security reform. It is also proposing a move to limit the number of amendments introduced by Congress, so as to speed the passage of important legislation.

However, the tactical change means the government has given up, for now, earlier plans to change clauses in the constitution which pass revenues from the federal government government to states.

The alternative approach comes after weeks of delays over approval of pensions reforms, in which Congress voted down a series of government amendments.

Last month, the government tried to offer concessions on unrelated issues to special interest groups in Congress, in return for their support. Now the government says it has lost patience. "There is always a minority in congress that will obstruct government policy, not always for legitimate reasons," said Mr Gama. "We are no longer prepared to bargain with this minority."

The government's intention to make greater use of presidential decrees has already met resistance from politicians. The decrees, called provisional measures (MPs), are valid for 30 days but can be renewed indefinitely until approved by Congress. They offer the president a way to sidestep the legislature.

The government is now trying to reach an agreement with opposition leaders in the Senate to limit use of the decrees – but it is unlikely to give them up. Any restriction on their use would itself require a constitutional amendment, and the government has enough support to block this.

Even with the power of provisional measures at its disposal, there is a limit to how much the government can achieve without changing the 1988 constitution. It was written on a wave of populism by the first civilian assembly after two decades of military rule and is widely regarded as unworkable. It lays down benefits and privileges which the government can no longer afford. Altering the constitution is essential for the long-term success of economic reforms which have brought inflation under control but rely mainly on tight monetary policies.

The 'mad cow' crisis Labour party leader tells prime minister there is 'humiliation' in deal with EU

Evidence for CJD link 'has strengthened'

By Clive Cookson, Science Editor

Mr John Major, prime minister, will today seek an end to the beef crisis at the European Union summit in Florence, by agreeing to an additional cull of cattle which could cost at least £80m ($122m) in compensation to farmers. The British agriculture ministry admitted that its climbdown over the extent of the cattle cull would be costly.

Mr Major was reported to be furious with press reports that the concession on the cull represented a humiliating defeat for Britain, and last night gave a series of television interviews in an effort to sell the deal to the public.

Mr Tony Blair, leader of the opposition Labour party, told Mr Major in the House of Commons: "There is humiliation in this deal; there is ignominy in this deal. In fact it is not a deal at all - it is a rout."

Europe's leading experts on spongiform encephalopathies said yesterday that the scientific evidence for a link between BSE and its human equivalent, Creutzfeldt-Jakob disease, had grown stronger during the past three months. But the risk of a large epidemic of CJD had receded.

The scientists were meeting in London under the auspices of the European Science Foundation and the UK Medical Research Council, exactly three months after the UK government's announcement that sparked the current beef crisis – that a new variant of CJD had been discovered in a dozen young adults and was probably caused by their eating BSE-infected beef in the late 1980s.

They said that intensive searches of patient databases and medical records throughout Europe had shown that NV-CJD, as it is now known, really is a new disease with different symptoms and different brain pathology to conventional CJD. Nothing like it had been found previously anywhere else.

"Three months ago there was the possibility that it was an existing variant that had previously gone unrecognised and unreported," said Professor Peter Smith of the London School of Hygiene and Tropical Medicine, the meeting co-ordinator. "Now we are more confident that it is something new – and that strengthens the evidence for a link with BSE."

"BSE has to be far and away the front-running hypothesis," said Dr John Collinge of St Mary's Hospital Medical School, London.

But a joint statement from the meeting emphasised that there was still no proof. The link is "based only on the geographical and temporal coincidence of the two conditions, and the plausibility of the association," the scientists said.

Dr Robert Will, head of the UK's CJD surveillance unit in Edinburgh, said the total number of confirmed cases of NV-CJD in the UK was still 11. There has been one case in France. In addition, a "small number" of suspected cases are under investigation.

The scientists said it would become clear from the number of NV-CJD cases over the next year whether any epidemic would be small or large. But the fact that there had not been a surge of new cases over the past three months made them cautiously optimistic.

"I would not be surprised if there were a few tens of cases over the next year," said Prof Smith. "If it becomes much larger than that, one would begin to be worried."

Controls need to reverse record of complacency

By Deborah Hargreaves in London

What Britain wanted	What EU proposed
■ Cull of 80,000 cattle	■ Cull of 100,000 to 147,000 cattle
■ Rapid lifting of export ban on shipments to countries outside the EU	■ Lifting of export ban to countries outside the EU in parallel with phased exports to other EU
■ Progressive lifting of ban on animals and meat from BSE-free herds or cattle which are entirely grass fed	■ Progressive lifting of ban on cattle and meat from BSE-free herds and grass-fed animals
■ Progressive lifting of ban on embryos	■ Progressive lifting of ban on embryos
■ Gradual lifting of ban on animals born after September 1 1996	■ Gradual lifting of ban on animals born after a specific date to be decided
■ Gradual lifting of ban on meat from animals under 30 months old	■ Gradual lifting of ban on meat from animals under 30 months old, timetable to be decided; lifting the ban on meat from animals over 30 months old [illegible]
■ Commission inspectors to confirm the ban on meat and bonemeal is effective and that measures in slaughterhouses were being implemented	■ Legislation for removal of meat and bonemeal from farms and subsequent cleansing of the premises and equipment. Improve measures for removing specified bovine material from carcasses

The government has accepted the European Commission's framework for lifting the worldwide ban on beef exports. But getting the embargo removed hangs on its ability to convince the rest of Europe that it can police the crack-down on the bovine spongiform encephalopathy disease.

European Union countries are sceptical of Britain's ability to stamp out BSE. Reflecting this, the Commission's document says: "Any position on BSE and on lifting the UK export ban needs to be seen in the context of considerable misgivings about the effectiveness of past actions taken by the UK in relation to BSE."

Officials at the Commission believe that if Britain had implemented proper controls to deal with BSE at the time of the initial crisis in 1988, the disease would have been much closer to eradication by now.

The commission cites a catalogue of complacency by Britain in imposing measures to stamp out BSE. This includes changes in rendering practices in the UK in the late 1970s which are believed to have allowed the disease into cattle feed in the first place. In addition, officials do not believe the 1988 ban on meat and bone meal from cattle and sheep feed was enforced strictly – accounting for the 27,000 cattle which were born after the ban and subsequently contracted BSE.

Most importantly, there are grave doubts in Brussels about the enforcement of the ban on "specified bovine offals" (SBO) – essentially the spinal cord, brain and other glands – from entering the food chain.

Mr Ian Gardiner, policy director of the National Farmers' Union, admits that it took a few years for the seriousness of BSE to sink in. "BSE was treated as a dangerous disease which needed respect, but not as a national emergency."

Scientists believe prions, which are thought to be the cause of BSE, got into meat and bonemeal made from carcasses of scrapie-infected sheep and cattle when renderers lowered their processing temperatures in the 1970s.

However, according to Ms Ester Davids at the European Renderers' Association, the change happened right across Europe at more or less the same time.

Some British scientists believe the cause of BSE is more complicated and factors such as a large sheep population with a high incidence of scrapie should also be taken into consideration. In 1982-1983, farmers increased the amount of meat and bonemeal they fed to dairy cattle in the hope of raising milk yields and securing a higher EU milk quota – quotas were introduced in 1984.

Once contaminated feed had been pinpointed as a cause of BSE, the government moved quickly to ban it in June 1988. But crucially, it was banned only for use in cattle and sheep rations, and feed mills continued to use it for poultry and pig feed until March this year when it was banned from other livestock feed. Cattle rations could have been contaminated at the feed mills.

Farmers also carried on using up feed they had already bought and were not required to sterilise their feed bins.

Once farmers and the government realised cross-contamination was occurring at feed mills, they did start to ensure equipment was cleaned properly. This has led to a sharp decline in the number of animals born after the feed ban to contract BSE – there was only one case last year.

The government has now made possession of banned feed on farms a criminal offence, punishable by a fine of up to £5,000 ($7,650). The UK Agricultural Supply Trade Association is organising a series of collections to destroy meat and bone meal. The Commission wants the UK to force farmers and feed mills to cleanse premises and equipment once it has been collected.

More seriously, the ban on specified bovine offals from the food chain was being widely flouted and the government had been warned repeatedly that these rules were almost impossible to carry out.

One problem with tightening up inspection procedures was that responsibility lay in the hands of local authorities; the enforcement of the rules varied across the country.

The Chartered Institute of Environmental Health wrote to the Ministry of Agriculture (Maff) in February 1990, three months after the specified bovine offal ban had been introduced, to express concern about the new rules.

Mr David Statham, chairman of the institute's food committee who headed meat inspections at the time, said: "There seemed to be an attitude at the ministry that these were window dressing measures and beef was really safe anyway. It is not surprising that abattoirs took the view 'what does it matter if a bit of spinal cord is left on'."

The rules called on abattoirs to perform almost surgical operations in a competitive environment where operators had to work extremely fast to remain profitable. Farmers, Maff and the meat industry recognised there was a problem with enforcement and the government set up a unified system of inspection.

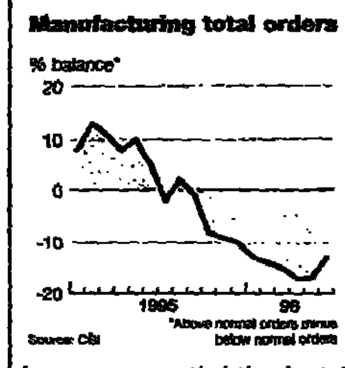
This resulted in the creation of the Meat Hygiene Service (MHS) as a department of Maff in April 1995. It was not until then that the government could carry out unannounced spot checks on slaughter houses. In 1995, spot checks found that 48 per cent of the slaughter houses checked were failing in their handling of specified bovine offal. To toughen up policing of slaughterhouses, the MHS is now recruiting 200 more inspectors in addition to its existing 500.

The Commission, however, still expresses doubts about the measures in place in abattoirs and is pressing the UK to improve methods of handling specified bovine material.

The government is now confident it has enforcement procedures in place to deal with BSE, but it has taken 8 years and much arm-twisting from the European Commission to get there. "In retrospect we'd all say everything should have been pushed that bit harder," said Mr Gardiner.

UK NEWS DIGEST

Growth 'one of G7's highest'



The Organisation for Economic Co-operation and Development said yesterday in its latest Economic Outlook that the UK will be one of the fastest growing European countries over the next two years. Growth is at present below trend but activity will accelerate this year and unemployment will fall further without triggering rising inflation, the Paris-based think-tank predicted. The OECD has become more optimistic about UK growth, revising up its forecast for GDP growth to 2.2 per cent this year and 3 per cent in 1997. This would make the UK the second-fastest growing economy in the Group of Seven leading industrialised nations next year. But it insisted the government would still meet its inflation target as inflation falls below 2.5 per cent over the next two years.

In a separate survey, the Confederation of British Industry – the UK's largest employers' lobby – says today that weak overseas demand is keeping UK manufacturing in the doldrums in spite of signs of a revival in domestic demand. The CBI's latest monthly industrial trends survey finds orders for manufactured goods were below normal for the 10th successive month, while export demand was at its lowest level for a monthly survey since February 1994.

Graham Bowley and Motoko Rich

High-tech training centre planned

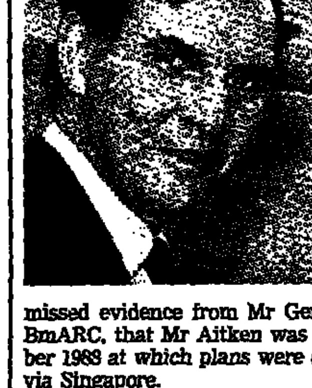
The government is expected next month to announce the establishment of a national microelectronics institute aimed at improving British skills in manufacturing semiconductors. The institute will be set up in Scotland, which beat off a strong challenge from north-east England.

The government hopes the scheme will help address the UK's shortcomings in technical training – a weakness identified in the annual competitiveness white paper published last week by Mr Michael Heseltine, the deputy prime minister.

US and Japanese semiconductor manufacturers with plants in the UK will support the institute by making available their laboratories and equipment for training and for research. Although it will have a small government-funded headquarters, almost all the training will take place in the plants of multinationals.

James Buxton and Stefan Wagstyl

'Arms-for-Iran' Tory cleared



Mr Jonathan Aitken (right), the former Treasury chief secretary, was yesterday cleared of complicity in the sale of weapons to Iran, bringing to an end a series of assaults on the government's handling of Middle East arms sales. The all-party House of Commons trade and industry committee said there was no evidence to support allegations over his directorship of the arms company Bmarc. Mr Aitken had insisted he did not know that naval guns made by the company were being shipped to Iran in contravention of a UN embargo. The committee dismissed evidence from Mr Gerald James, former chairman of BmARC, that Mr Aitken was present at a meeting in November 1988 at which plans were discussed to supply the weapons via Singapore.

Mr Aitken said he had been "exonerated and vindicated" by the unanimous findings. He said he had been told informally by Customs and Excise, which is conducting a criminal investigation into the affair, that they had also cleared him. Mr Aitken expressed hope that, once two libel actions he had initiated had been cleared, he would return to a cabinet position.

John Kampfner and David Wighton at Westminster

Standard Chartered fined

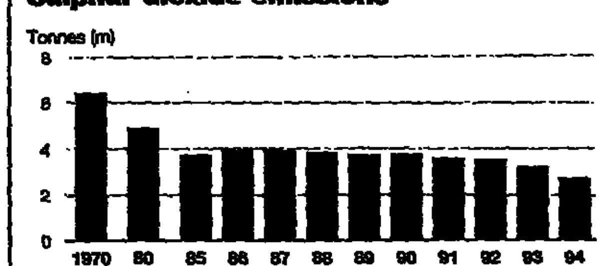
The Securities and Futures Authority, which regulates traders and brokers in City of London financial markets, has fined Standard Chartered, the UK-based international bank £25,000 ($38,250) after one of its dealers falsified records to hide losses estimated at up to $500,000. The fine was levied even though Standard Chartered quickly uncovered the loss at its capital markets unit, since closed, and immediately notified the SFA.

George Graham, Banking Correspondent

On target to limit acid rain

Britain is on target to meet United Nations targets for a reduction of sulphur dioxide emissions by the year 2000, according to official statistics showing a 45 per cent drop in emissions between 1980 and 1994. A significant factor in the reduction was the power industry's switch away from coal-fired stations. The UN Economic Commission for Europe's second sulphur protocol sets reduction targets for sulphur dioxide emissions of 50 per cent by 2000 – from a 1980 baseline. Sulphur dioxide causes acid rain, which destroys forests and lakes. It is regulated by international convention mainly because acid rain crosses national boundaries.

Leyla Boulton



Lloyd's agrees facility for bank loan up to $460m

By Ralph Atkins and Antonia Sharpe in London

Lloyd's of London has agreed a bank loan facility worth up to £300m ($460m) to help fund its ambitious recovery plan – including any shortfalls caused by the insurance market's US difficulties.

The facility, arranged with three banks, is the market's first publicly syndicated loan. That suggests that confidence in Lloyd's long term future is returning. But the size of the loan highlights the financial pressures Lloyd's faces even after implementing its plan this August.

The borrowing costs could also pose an unwelcome extra burden on the future market. Last night, Limit, a listed company, became the first of the new generation of corporate investors at Lloyd's to announce it would vote in favour of a refundable levy being imposed on members underwriting since 1993.

But Limit warned that its support for the recovery plan would be on the basis "that the future market contribution is not increased excessively".

Costs of the loan facility will be funded by a charge of up to 1.1 per cent on insurance premiums collected in 1997 and beyond. Pre-payment before the end of this year could cut the bill, however. Details of the loan facility were announced as Lloyd's last night posted revised statements showing the impact of its recovery plan on all 34,000 Names, individuals whose assets have traditionally supported the market. The plan includes a £3.1bn out-of-court settlement offer.

The statements show substantial improvements compared with earlier estimates in March. Names in Australia had last night already received summary statements and Mr John Stace, Lloyd's deputy chairman who is in the country, said they were sending "positive shock waves".

Lloyd's arranged the loan facility because it needs to pass regulators' solvency tests on August 31. By then Names should have final details on the plan but may not have paid the cost of setting up Equitas.

In addition, US state securities regulators are pursuing legal action alleging investment in Lloyd's was mis-sold. The loan facility could help Lloyd's proceed without full support of US Names.

The five-year facility has been underwritten by Lloyd's long-standing bankers, Citibank, NatWest Markets and Royal Bank of Canada. The three banks are likely to sell down their underwriting commitments by syndicating the loan to other banks.

Party that launched the state service in 1947 would not restore it in full

Labour cautious on health reforms

By Mark Suzman in London

A Labour government would not scrap the present Conservative administration's five-year-old reforms of the National Health Service, Mr Tony Blair, the party leader, said yesterday. But it would make changes to alleviate the most damaging aspects of increased competition inside the service.

Mr Blair told delegates at the annual conference of the National Association of Health Authorities and Trusts that a Labour government would replace competitive contracts with co-operative planning and would scrap the system whereby family doctors manage their own budgets. It was the Labour leader's most detailed policy statement on health to date. He confirmed that, in spite of his party's longstanding opposition to the government's reforms, Labour would not seek to end the division between health authorities and hospital trusts because such moves would prove disruptive to patient care. It was the 1945-51 Labour government which introduced the NHS, with its commitment to providing free healthcare for all. "I believe in practical reform – not upheaval based on dogma," Mr Blair said yesterday. "Our priority will be to make changes that are in the interests of patient care and not start making organisational change where it is not needed."

Mr Blair tried to reinforce Labour's reputation as the party most likely to protect the fundamental values of the NHS. He promised that Labour would tackle "unacceptable variations" in treatment by creating the post of minister for public health with responsibility for co-ordinating policies across government departments. Mr Blair also sought to put Mr Stephen Dorrell, the health secretary, on the defensive by accusing senior Conservatives of planning to turn the NHS into an inadequate "rump service" that would force more people into private healthcare.

Mr Dorrell, who will address the conference today, has repeatedly committed the government to maintaining comprehensive health provision on the basis of need rather than ability to pay.

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A market in the ascendant

London's commercial property market is coming back to life, with development returning to the office, retail and leisure sectors. But demand from tenants remains patchy and only the best buildings will thrive, writes **Simon London**, the author of this special report

The old estate agency saw holds that the three most important features of an office building are location, location and location. For many companies looking for head office buildings, though, specification is now at least as important as the position and address.

Details such as floor-to-ceiling heights, the efficiency of the space and the specification of the air conditioning are the starting points from which any search for a building begins.

Property developers dream of being able to bring forward top specification buildings in prime locations. The most talked-about new building in central London is 30 Berkeley Square, where the Prudential Corporation is close to finishing a 48,000 sq ft headquarters in one of the very best locations in the West End. If Prudential can let the building for more than £50 per sq ft, the wider property market will join the celebrations.

But rents for top specification buildings in Berkeley Square are not a guide to conditions in the wider central London property market.

Companies looking for headquarters buildings in less select locations will find that the severe shortage of space which was in evidence a year ago has started to ease.

Speculative developments are bringing about 1m sq ft of new office accommodation to the market in each of the next three years. The first of the new speculative buildings have been completed and are ready for occupation.

Hermes, the post and telecommunications pension fund manager, this month launched Nations House, its refurbished office building in Wigmore Street, to the north of Oxford Street. The 100,000 sq ft is the only headquarters building of its size now available in the West End. Hermes is asking £36 per sq ft.

Great Portland Estates has completed 160 Great Portland Street, a 70,000 sq ft building in the same district as Nations House. Arcona has finished its smaller 30,000 sq ft headquarters building at 50 Pall Mall.

These new buildings are competing against a selection of second-hand but modern buildings which have come on to the market during the last 12 months.

Grand Metropolitan vacated three buildings as a result of its move to Henrietta House, the company's new 100,000 sq ft headquarters to the north of Oxford Street. The net result of these moves is that Grand Met is releasing 50,000 sq ft of empty office space onto the market.

The largest of these available buildings is at 20 St James's Square, where Grand Met is asking £37.80 per sq ft for the 72,000 sq ft building.

Its other unwanted buildings are at 151 Marylebone Road, a modern 50,000 sq ft building, and at 1 York Gate, close to Regents Park, where the company hopes to sell a smaller 25,000 sq ft period office.

Second-hand space has been in evidence in many of the largest West End lettings this year. Pearson Television recently leased 157,000 sq ft at 1 Stephen Street. Prudential, the landlord, is contributing £3m to refurbish the building.

MTV, the television company, took 120,000 sq ft to the north of Oxford Street in a building formerly occupied by Credit Suisse First Boston, the investment bank.

Kvaerner, the Norwegian engineering group, leased 23/24 King Street, a building formerly occupied by Inchcape, which moved out as part of a rationalisation exercise.

Rationalisation means that corporate headquarters buildings are generally shrinking. Grand Met stands out as a company willing to lease a 100,000 sq ft head office in the West End. Most of its peers are reducing staff numbers and taking buildings of 30,000 to 50,000 sq ft. "Companies are shrinking their London HQs and decanting staff to other locations," says Mr Chris Boulton of Hillier Parker, the chartered surveyors.

One implication is that bigger West End buildings now coming to the market – including Nations House, 160 Great Portland Street, and 1 St James's Square, where National Westminster Bank has started work on a 100,000 sq ft building – could be let to more than one tenant.

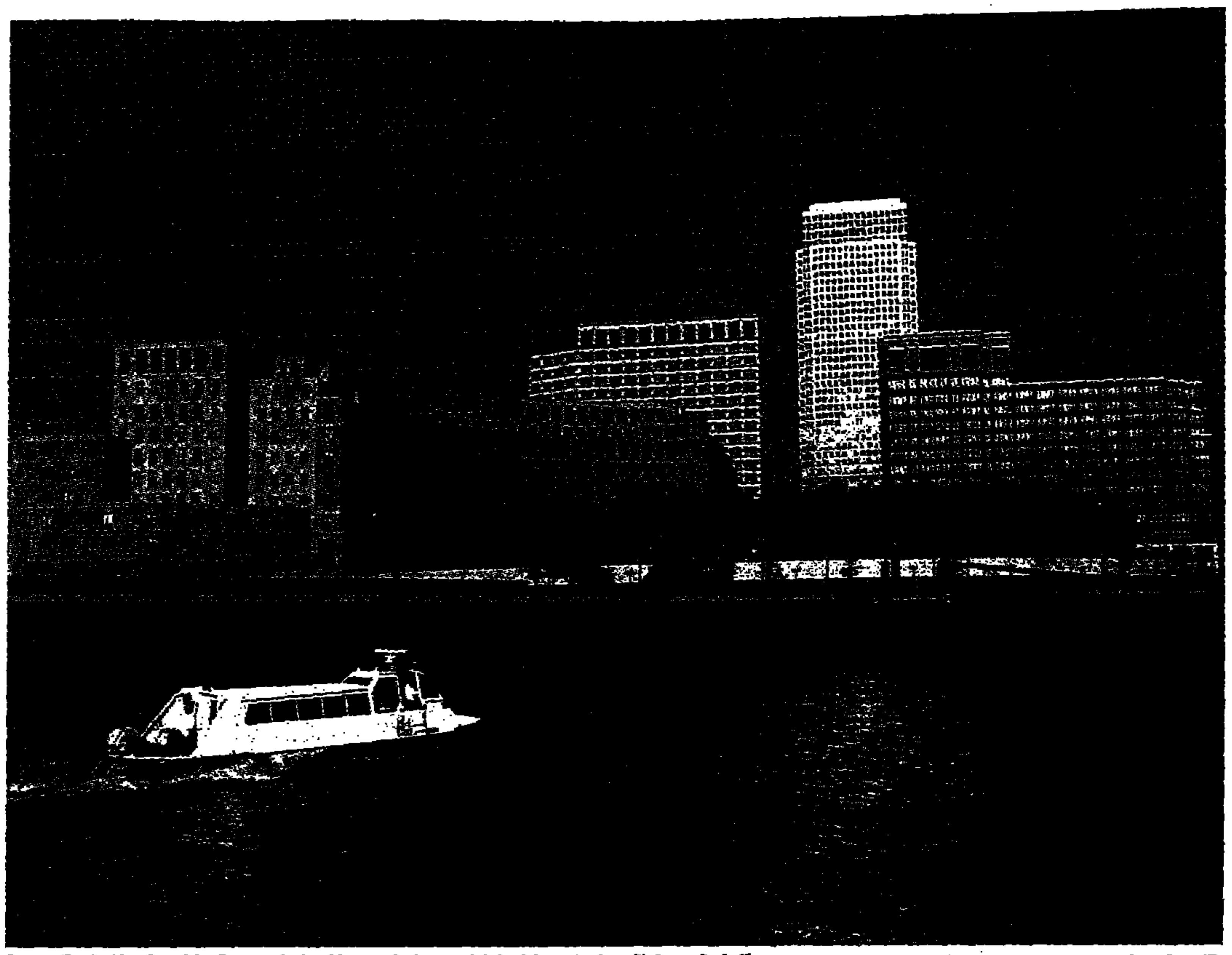
With this in mind, Grosvenor Estate Holdings is planning to create four buildings in one when it redevelops Hobart House, the former headquarters of British Coal in Grosvenor Place, Victoria. The site could have accommodated up to 300,000 sq ft in a large block. Instead, Grosvenor plans to build 210,000 sq ft in four self-contained units around a central atrium which will hold facilities such as restaurants and shops.

"Fifteen years ago we would have been tempted to maximise space on the site. Smaller head offices with access to communal facilities such as health clubs have become part of the culture of large organisations," says Mr Dick de Broekert, development director.

As specification takes over from location as the most important criterion for a head office building, the West End is also facing direct competition from the City, Docklands and the western corridor which stretches towards Heathrow airport. Readers Digest, the publishing company which was based in the West End, last year acquired a new head office at Canary Wharf in Docklands. Disney, the US entertainment group, has settled in Hammersmith.

At the same time, traditional City occupiers are moving westwards. First National Bank of Chicago has taken 200,000 sq ft of space at British Land's Regents Place development – formerly known as the Euston Centre – on the northern edge of the West End.

The lesson is that the traditional boundaries between areas of central London have become blurred. Companies looking for a headquarters building are casting their net outside the traditional heartland of Mayfair and St James's.



Canary Wharf: with a financial collapse and a bombing now in the past, it is back in contention with 8m sq ft of office space Picture: Fergus Willis

■ Financial sector

Investment banks are showing the way

Institutions appear now to want the freedom to buy rather than lease their premises

Financial sector occupiers are on the move, and it is investment banks which are leading the way in the search for modern, efficient headquarters buildings.

Four big banks – Banque Paribas, ABN Amro, Barclays de Zoete Wedd and Deutsche Morgan Grenfell – have decided to move in the last 12 months.

The thread they have in common is that each bank wanted to bring all its staff under one roof in buildings which could accommodate large trading floors.

Deutsche Morgan Grenfell was the only bank to opt for a traditional City location.

It is building its new headquarters on Old Broad Street, in the heart of the Square Mile.

Banque Paribas is building its headquarters near Marylebone, on the fringe of the West End.

ABN Amro is building on a similar scale at Spitalfields, just outside the City boundaries.

BZW, the investment banking arm of Barclays bank, opted to lease space at Canary Wharf in Docklands.

There are other banks which look likely to follow this trend of moving (or staying) outside the City boundaries.

Citibank has shortlisted Canary Wharf and London Bridge City, on the south bank of the Thames, as potential locations for its planned European headquarters.

Property agents say that these moves to locations outside the traditional City reflected a temporary shortage of sites ready for immediate development within the Square Mile.

Some of the very biggest sites in the City were until recently disadvantaged by either complex ownership or planning problems.

For example, Paternoster Square, to the north of St Paul's Cathedral, was held by a joint venture comprising Mitsubishi Estate of Japan, Park Tower Realty of the US and Greycoat, the UK developer.

Mitsubishi last year bought out its partners. The Japanese company is now deciding whether to redesign its plans for the site, which is one of the most architecturally sensitive in the UK.

Baltic Exchange had planning permission for 300,000 sq ft of office space but Trafalgar House, the owner, had to retain part of the original exchange, which was badly damaged by the 1992 IRA bomb.

Trafalgar has since reached an understanding with heritage groups that the old exchange could be demolished under certain circumstances.

This has allowed the company to redesign its plans for a big new building on the site.

The Corporation of London, the City's local authority, is eager to provide financial sector occupiers with suitable development sites. But in an area of fragmented property ownership and historic buildings, this is not always possible.

Another common thread from the recent batch of financial sector moves is that financial institutions appear to want to buy rather than lease their premises.

BZW was the only one of the four large investment banks to take a conventional occupational lease.

The three European banks opted to buy an interest in the freehold of their sites. Citibank is also thought to favour this route.

"Banks want the control that an equity interest gives them. They will not have to ask the permission from landlords if they want to knock down a wall. They do not want to be at the beck and call of market rents," says Mr Bradley Baker of Knight Frank, the chartered surveyors.

The pace of financial sector movement shows no sign of slowing. Citibank is expected to announced its favoured site in the next two to three months.

Merrill Lynch, which recently acquired Smith New Court, has started to search for new premises, as has Liffe, the financial futures and options exchange.

Other organisations with a long-term requirement for new premises include Chemical Bank, SBC Warburg, Schroders and Dresdner Bank.

These banks will be subject to intense courting by developers. In addition to Paternoster Square and Baltic Exchange, City sites such as Puddle Dock and Times Square – both close to Blackfriars Bridge – could accommodate very large buildings.

Outside the City boundaries, Spitalfields could also take at least one more large building.

Canary Wharf, meanwhile, was only one-third completed when it collapsed financially in 1992 and has capacity for another 8m sq ft of office space.

The development was last year acquired by a US consortium led by Mr Paul Reichmann, the Canadian who masterminded its development in the late 1980s.

Competition among sites and developers suggests that big banks will be able to negotiate very good terms.

At the smaller end of the market, rents are also under competitive pressure.

There is currently about 3m sq ft of office space under construction in the City of London, about two-thirds of which is speculative.

The largest speculative development in the City is the Natwest Tower, where National Westminster Bank has refurbished its 300,000 sq ft former headquarters building which was also damaged by an IRA bomb.

In addition, there are eight other speculative developments of over 100,000 sq ft in the core of the City, including 99 Bishopsgate, another bomb damaged tower.

This has been totally refurbished by Hammerson, the UK property company.

The first of the new generation of City buildings have now been been completed. The list of these includes British Land's Corn Exchange and 90 Queen Street, developed by Wates City of London Properties.

At the same time, city rents have certainly increased from the £30 per sq ft which prevailed two years ago.

Rents are now firmly above £35 per sq ft for the best space.

The acid test will be whether these brand buildings are let to tenants at close to the rents being asked currently by their landlords. At 90 Queen Street, for example, Wates is asking £40 per sq ft.

Spitalfields (left) under reconstruction: could take one more large building; and Nations House (right) launched on the market in the West End this month Picture: Fergus Willis (left)

■ Leisure

Festival raises commercial issues

Central Piccadilly may lure most tourists, while only some venture out to suburban sites

After weeks of negotiations between the government and potential sponsors, the Millennium exhibition now looks certain to go ahead in Greenwich, east London.

The question for the property industry is whether the planned extravaganza will stimulate the capital's leisure industry or provide unwelcome competition for purely commercial ventures. The last few years has witnessed a proliferation of leisure developments around the capital, ranging from high-profile conversions of public buildings to smaller theme pubs and restaurants.

Some of the larger projects have been in the pipeline for years. The planned redevelopment of Battersea power station, the landmark brick building to the west of central London, has been stalled since the late 1980s. At County Hall, on the south bank of the Thames opposite the houses of parliament, Shirayama, the Japanese developer, has spent the last three years building a centre which will include Europe's largest aquarium.

But the list of older projects has been swelled by a new wave of developments. At the Trocadero on Piccadilly Circus, Burford, the quoted property company, last year announced plans to build a virtual reality theme park in a joint venture with Sega, the Japanese manufacturer of electronic games.

Earlier this year, Time Warner, the US entertainment group, and MAI, the UK broadcasting and financial services company announced plans to invest £225m in a theme park studio complex in Hillingdon, Middlesex. The complex, to be called Warner Brothers Movie World, will occupy a 150-acre green belt site and is scheduled to open in 1999 if planning issues can be resolved.

A consortium including Pillar, the quoted property company, and Alfred McAlpine, the construction company, was last month selected by Haringey Council in north London to redevelop Alexandra Palace.

Ally Pally, as the complex is commonly known, was built in the 1870s as a pleasure palace but has been dogged by financial problems.

The consortium hopes to reverse its flagging fortunes by investing £50m in a redevelopment which will include a broadcasting museum – to mark the first transmission from the site by the BBC – a multiplex cinema and tennis centre.

Competing with these large

> Leisure parks are springing up throughout London

projects is a plethora of local leisure parks which are springing up throughout London. MEPC, the property company, last year paid £10.5m for a leisure park including a multiplex cinema and bowling alley at Park Royal, north west London.

Whether the capital can support so many leisure developments – with or without the Millennium exhibition – is uncertain. The Trocadero benefits from its location on one of London's busiest shopping and tourist streets. The area around Piccadilly Circus has become the focus of intense competition between pub and restaurant operators which has pushed up rents by 30 per cent in two years.

"My enthusiasm is for the location rather than for leisure property in general. The strip between Piccadilly Circus and Covent Garden has potential to become the fun capital of Europe," says Mr Nick Leslau, Burford chief executive.

He argues that all tourists coming to London will visit this central strip, while only some will venture out to leisure attractions in suburban locations.

Big leisure developments in suburban locations such as Battersea, Alexandra Palace and Hillingdon will have to overcome poor public transport infrastructure and congested roads if they are to be a success.

Transport is one of the central considerations in the preliminary study now being carried out by Parkview, the Hong Kong company which owns Battersea power station.

Although there are plans for a shuttle service between the site and Victoria Station, the roads in the mainly residential area have little spare capacity.

Parkview's potential backers – including BAA, the airport operator, Gordon Group of the US, and Mr Andrew Lloyd Webber, the composer – are awaiting the outcome of the study before deciding whether to commit further funds.

One factor working in favour of all London's leisure projects is the increasing number of overseas tourists coming to the capital.

The devaluation of sterling in 1992 provided the UK tourist trade with a welcome boost. The London Tourist Board estimates that about 21m UK and overseas visitors came to London in 1995, spending about £7bn.

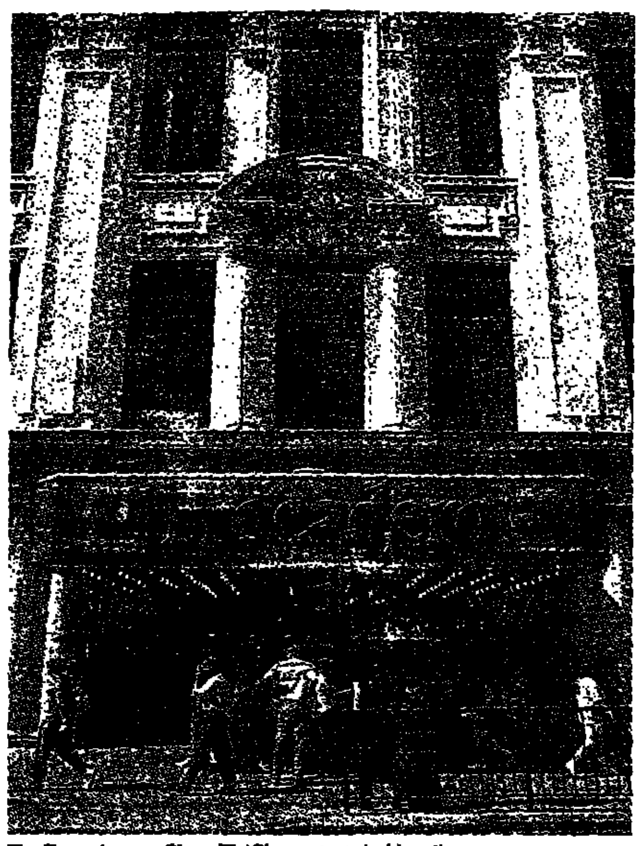
This represents a substantial inflow of cash into the London economy and leisure developers are eager to claim their share.

The influx of tourists has also kindled interest in hotels as investments. At County Hall, Whitbread, the brewing and leisure company, is planning to build a 200-room four-star Marriott hotel and a 318-room Travel Inn budget hotel.

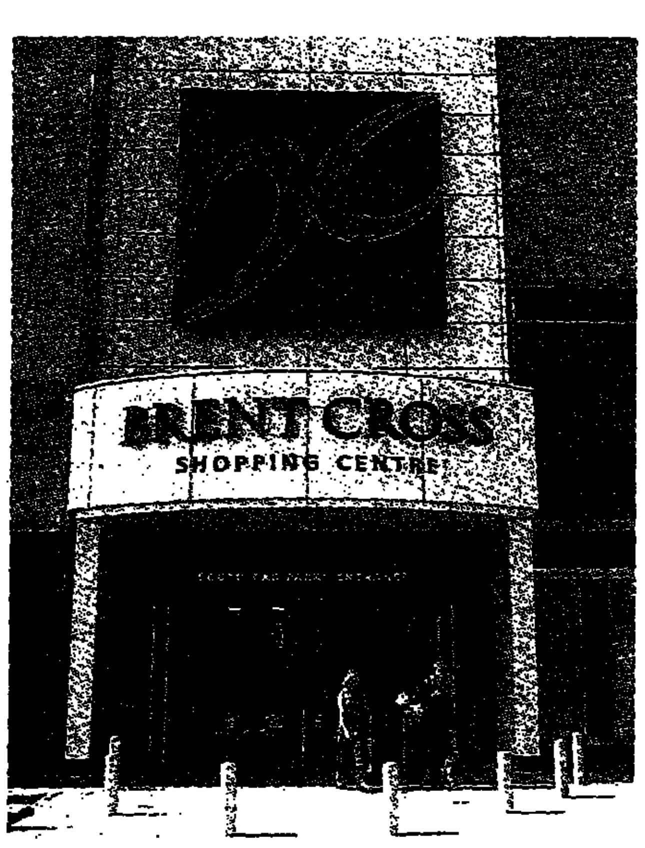
Many smaller office buildings are also being acquired for hotel conversions.

Burford recently acquired two Covent Garden buildings which it plans to turn into trendy hotels aimed at a young and wealthy clientele.

BT last week sold an empty office building in Bird Street, Covent Garden to Embassy Capital Properties. The buyer is considering whether to turn the 46,000 sq ft building into a 100-room hotel.



The Trocadero on Piccadilly Circus: a central location Picture: Fergus Wilkie



Brent Cross: the UK's first covered shopping centre Picture: Fergus Wilkie

■ Retail

Speeding activity

Unit size is important to increase the range of merchandise on display

Property agents often point to New Bond Street, running off Oxford Street in the heart of the West End, as a barometer of the health of central London's retail trade.

Three years ago New Bond Street was a forest of "to let" signs as retailers struggled against a slump in consumer spending.

Today there is barely an empty shop unit available.

The same is true of virtually the whole of central London's prime shopping area.

The pace of activity has accelerated this year with a wave of large lettings to tenants led by international fashion retailers.

"Six months ago there were still between 6 and 10 units available in New Bond Street, today there is only one," says Mr Mark Tack of Conrad Ritblat, the chartered surveyors.

Rents for the best sites are approaching the peak levels of the late 1980s.

Top rents are now firmly above £200 per sq ft for the best space in Bond Street and would probably be up to £275 per sq ft in the western end of Oxford Street if the shops were available to let.

Competition for space is such that new tenants are paying premiums of up to £500,000 to existing occupiers to take over their leases. This is a practice which has not been seen since the late 1980s.

International fashion retailers have been among the most active led by designers such as Armani and Versace.

Calvin Klein recently leased a unit in New Bond Street at a top rent of about £200 per sq ft. Three years ago this space would have commanded no more than £150 per sq ft.

Regent Street has also sprung into life with large lettings to tenants such as Warner Brothers. The airlines and the cloth sellers which traditionally maintained offices on Regent Street are gradually being replaced by mainstream retailers.

The area around Covent Garden, Leicester Square and Piccadilly Circus is also thriving. The growth of theme pubs and restaurants has led to fierce competition for larger retail units.

With potential tenants bidding against each other, rents are on a rising trend.

In addition, unit size is becoming increasingly important as retailers aim to increase the range of merchandise on display in their stores. Small units are not the subject of the same competition among potential tenants.

"If you own a small shop unit the prospects are not that exciting, even on Oxford Street," says Mr David Watts of DTZ Debenham Thorpe, the chartered surveyors.

The City of London has long been starved of retail space.

> The City has tried to improve the facilities of retail space

This is a surprising fact given its huge pool of spending power.

The Corporation of London, the City's local authority, acknowledges the shortage and has tried to improve the quality and quantity of retail space.

Marks and Spencer recognised the potential of the City in the late 1980s by opening first a men's wear store and then a food store.

The group plans to open a full 100,000 sq ft store this summer.

Tesco, the supermarket group, is also moving into the City. At 80 Cheapside, an office development by Spen Hill Properties, the company is opening its first Tesco Metro within the Square Mile.

Cheapside remains the City's best shopping street. Books Etc recently leased about 4,000 sq ft at 90 Queen Street, the new development on the junction with Cheapside, at rents equivalent to about £175 per sq ft for the best space.

"This is the best rent achieved on Cheapside for six years," says Mr Ray Dowse of Healey & Baker, the chartered surveyors.

By contrast, the London suburbs have not experienced such a strong up-lift in rents as the West End.

But consumer spending is recovering after years in the doldrums and big shopping centres are expanding at the expense of traditional high streets.

Brent Cross in north London, which was the UK's first covered shopping centre, has been the subject of a £40m refurbishment by its owners, Hammerson, the property company, and Standard Life, the life insurer.

The partners are planning a further expansion and are working on plans for a 230,000 sq ft extension, which will increase the floor area at Brent Cross by about 20 per cent.

At White City, to the west of central London, a consortium led by Chelsfield, the property company, is planning to build a 700,000 sq ft shopping and leisure centre.

The project would be the biggest of its type in London since Brent Cross was built in the mid 1970s. The site, which is next to an urban motorway, close to underground stations and in an area of high population density, looks to be promising indeed.

To the east of London, the UK's largest shopping centre is now under construction at Bluewater Park in Kent.

The project is an initiative by Lend Lease, the large Australian property and financial services group.

These new centres will compete with established suburban town centres and shopping centres such as Lakeside, Thurrock, in Essex, and the Bentalls Centre in Kingston, Surrey.

They will also provide added competition for Oxford Street, New Bond Street and Regent Street.

Property agents believe that central London will retain its status as the top shopping area. But this will only come about if it continues to attract flagship stores and to improve the shopping environment by extending pedestrian access, reducing traffic and other related measures.

"The West End has got to fight hard to retain its status. It has to offer the right tenant mix and the right environment," says Mr Chris Phillip of Healey & Baker.

■ Suburban offices

Out-of-town market thrives

International companies might go elsewhere if modern office space is sparse

The experience of many US cities is that suburban and out-of-town office markets are flourishing while "downtown" locations remain awash with empty space.

While central London should be spared this fate by its status as an international centre, the suburbs and home counties are certainly thriving.

After five years of limited property development, occupiers looking for new offices for immediate occupation will find very little to choose from.

"The supply of high quality new accommodation has reached crisis point," says Mr Steve Mallen of Knight Frank, the chartered surveyors.

Mr Mallen estimates that there are only about 40 new buildings available in outer London and the home counties.

The shortage is especially severe in Surrey and the suburbs of south west London, where local authorities have restricted the amount of new office development over many years.

Jones Lang Wootton, the chartered surveyors, estimates that less than 1 per cent of the top-quality office stock in the western quadrant of London and the homes counties is currently vacant.

There are no new buildings of any size left in towns such as Camberley, Guildford and Redhill or the south western suburbs such as Richmond and Twickenham.

The few remaining empty new buildings in the south west are rapidly being filled.

Earlier this month Novell, the software company, leased 1 Arlington Square, Bracknell, an 84,000 sq ft office building which had been vacant since it was completed four years ago.

The towns and suburbs in the north western quadrant – which were left with a huge supply of empty space during recession – have also moved back into balance.

Tenants looking for space in the south west have had little choice but to widen their search to less fashionable locations such as Watford or Hemel Hempstead.

There is also a shortage of big new buildings in the western corridor, which stretches from Hammersmith to Heathrow airport along the M4 motorway.

One of the last empty new buildings in the corridor – Centre West at Hammersmith – was sold earlier this year to Disney, the US entertainment group, for its European headquarters.

In total, Knight Frank estimates that the supply of available office space around the M25 motorway had declined by 30 per cent in the year to March.

Part of the reason for this shortage is the appetite of international companies for buildings away from the centre of London.

The latest property trends survey by the CBI and Grimleys, the chartered surveyors, found that 60 per cent of office space requirements were for out-of-town buildings.

Although the pace of relocation out of central London has slowed, many companies establishing a base in the UK for the first time are opting for locations away from the City or West End.

For example, Pharmacia & Upjohn, the US-Swedish pharmaceuticals company which was formed by a merger last year, established its headquarters in Windsor.

But developers and financiers have also been slow to respond to the shortage of space.

"The providers of finance are wary. There are good developers sitting on good sites but without the necessary capital to bring forward new buildings," says Mr Mallen.

Institutional investors looking to forward-fund office developments have tended to restrict their activity to the prime areas of the West End.

A handful of new projects are being bought forward. Two of the largest speculative development projects are at Stockley Park and Bedfont Lakes, the business parks close to Heathrow Airport.

At Thames Valley Park, near Reading, Argent Development Consortium have started work on two new headquarters buildings which will be ready for occupation next summer. The consortium is a joint venture between Argent, the property company, Citibank of the US and the British Telecom Pension Scheme.

Despite these initiatives, the supply of new buildings is small in the context of the market as a whole.

"The total amount of space under construction on a speculative basis accounts for only 0.4 per cent of the total built stock. With demand at its highest level for five years, the shortage of good space can only become more endemic," says Mr Chris Hiatt of Jones Lang Wootton.

Against this background,

> Landlords are also achieving longer leases and fewer concessions such as rent-free periods

rents achieved by landlords for prime new buildings are on a rising trend.

The highest rents are being achieved in Hammersmith, Heathrow and out-of-town Reading, where deals have been struck at £23 per sq ft or more.

In common with central London, landlords are also achieving longer leases and fewer concessions such as rent-free periods. Leases of 15 years are now common.

Mr Mallen points to two dangers arising from this shortage of modern office space. The first is that international companies will simply locate elsewhere.

"There is a serious danger that the home counties will lose out as an economic area," he says.

The second potential problem is that the funding floodgates could suddenly open, leading to a tidal wave of speculative developments and another boom-to-bust property cycle in the region.

MANAGEMENT

Are workers past their best at 50 – and hence dispensable? Or do companies which deliberately target older staff for redundancy risk losing their more experienced and loyal employees?

This debate took a new turn in the UK last month when 18 organisations – among them British Airways, British Telecommunications, Marks and Spencer, the Post Office and J. Sainsbury – launched the Employers Forum on Age, to combat age discrimination at work. Among other actions, the forum aims to campaign against the age limits which appear in more than a third of job advertisements.

Ageism, however, is not merely a British phenomenon as a European Union study highlighted three years ago. The report, which suggested that measures against older workers had become worse during the recession of the early 1990s, indicated that discrimination against older workers starts from 40 in most European countries and that those forced out of their jobs found it "almost impossible" to re-enter the market before their normal retirement age.

Older and wiser, or best got rid of? FT writers look at whether our elders are seen as our betters

Too old to go to work

The instinctive French reaction to any suggestion of ageism in recruitment or in the workplace is to point to the country's Constitution, which theoretically outlaws any form of discrimination, *writes Andrew Jack.*

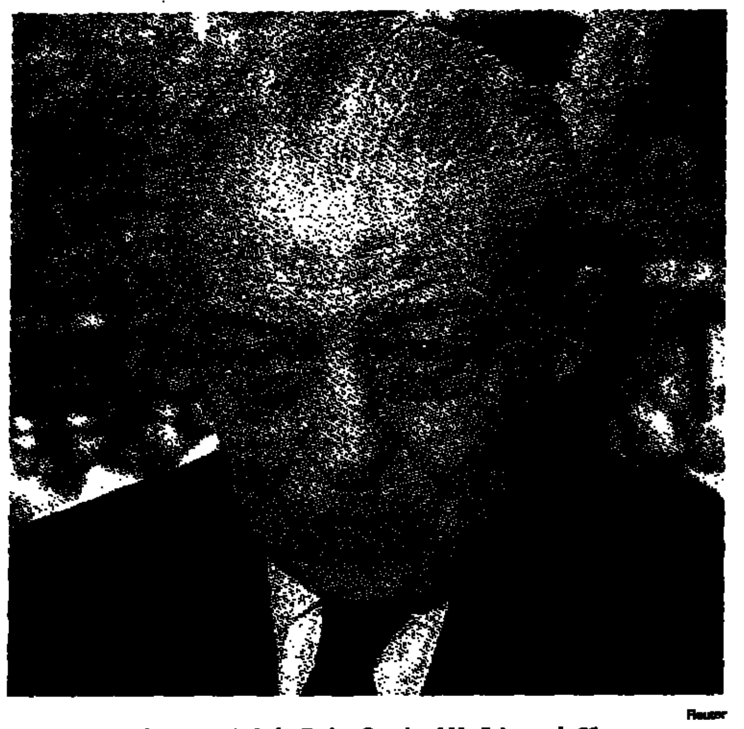
French companies and organisations often appear to have a stronger respect for age than some of their Anglo-Saxon counterparts. For example, most of the candidates for the country's presidential election race last year were already reaching retirement age.

The same applies in companies. Patrick Ponsolle, joint chairman of Eurotunnel, the Anglo-French operator of the Channel rail-link, noted recently that his French peers tended to be significantly older than their English counterparts.

A large number of French companies are in the process of modifying their statutes to reduce the age at which directors or the chairman must retire. Again, that limit is often very high – frequently permitting executives to stay on into their 70s or 80s.

One reason is that French recruits tend to be older than many of their Anglo-Saxon equivalents. They start a job in their mid-20s after years of university training and military service, which delay their acquisition of levels of experience similar to those of aspirant executives in other countries.

That situation appeared to change during the 1980s. "The baby boomers put pressure on management to push out the older generation of executives," says Marc Lamy of French-based headhunters Boyden.



Age still counts in corporate Italy: Enrico Cuccia of Mediobanca is 88 Reuter

In the higher echelons of Italian company management, it often seems as though age and experience are all that count, *writes Andrew Hill.* The doyen of Italian banking, Enrico Cuccia, still holds the reins at Mediobanca, the powerful Milan merchant bank, aged 88, while Giovanni Agnelli, 75, stepped down as chairman of Fiat, the automotive and industrial group, only this year, handing over to Cesare Romiti, who is 73 this year.

But the structure of the Italian labour market and corporate economy makes it difficult to draw firm conclusions about whether companies are rewarding experience over youth in the rest of the workforce.

Italy's largest and best-known industrial companies – Fiat, Olivetti, the computer manufacturer, and Pirelli, the tyre and cables manufacturer – have cut their workforces in recent years in an attempt to improve competitiveness.

All three companies have also employed new staff. Both Olivetti and Pirelli have made much of the fact that they have increased the proportion of qualified employees, thereby "renewing" the workforce. Pirelli says this process was "not just a question of taking on younger people, it was a question of competence".

Fiat took on mainly younger unskilled workers and trained them at its innovative car plant at Melfi in southern Italy, even as it was laying off older workers in the north. When Melfi came on stream in 1994, the average age of the workforce was around 25, against an average of 46 at other Fiat factories.

The economy is dominated, however, not by these well-known names, but by small and medium-sized companies, most with fewer than 100 employees. The turnover of employees at such companies is high, and many of them are young people. According to Confindustria, the Italian employers' federation, young employees often learn their basic skills at a small company before leaving to apply them at a larger group.

Confindustria research into manufacturing companies indicates that the bigger the company, the longer ordinary employees (that is, excluding managers) tend to stay. As Fulvio Rossi, of Confindustria's research unit, points out, there are two possible interpretations of the data: "It might be that large companies use more complex technologies, which need more experienced staff, or it could be that large companies have greater difficulty getting rid of older workers."

Ageism is increasingly a problem in Germany, in spite of strict labour market laws which give clear protection to older employees, *writes Frederick Studemann.*

Under German law any company employing more than five people is bound by redundancy regulations which favour older employees over younger ones. "It is far easier to make a younger employee redundant than it is an older one," says Johannes Jakob, a labour market analyst at the German trade unions federation, the DGB. "But once you are out of the company, it is very difficult to get back into employment if you are older," he adds.

According to the German labour office in Nuremberg it is "very difficult" to find employment for people over 55. "It already starts to get tricky at 45," it says.

The worsening health of the German labour market, which this year has seen record levels of unemployment, is further unwelcome news for older people without jobs. "The more difficult the employment market gets, the more problematical it will become to reintegrate older workers and employees," says the labour office.

Of the 3.9m unemployed people in Germany at present, 842,000 (21 per cent) are over 55. The number of those out of work over the age of 45 is just over 1m, or around a quarter of the total number of jobless.

The government has introduced several measures aimed at making it easier for unemployed people over 50 to get back to work. These include wage top-up payments available to employers who take on long-term unemployed workers, most of whom are older people.

JOHN KAY

Globalisation of the skies

American Airlines and British Airways plan an extensive alliance. They are only the latest companies to assert that the future of their business is inevitably international. Car component makers and lawyers, biscuit makers and banks, telecoms utilities and pharmaceutical companies, are all united in emphasising that only globalisation of their operations will fit them for the next century.

But this superficial unanimity disguises both differences and confusion.

A more careful analysis of these trends might lead at least some of these firms to ask whether they need a global strategy at all. Take the market for crude oil, which is truly a global market, and has been for decades. The petrol you put in your car might originate in the Persian Gulf, flow from the North Sea, or be piped from Alaska - you don't know and don't care which.

Despite massive differences in the costs of production in these different regions, the price of oil is virtually the same around the world.

Which reminds us that the car market is very different. There is now global production and sourcing. Your car might be assembled in England, Germany or Japan, and its engine might have been built in Wales or in Spain. But national markets remain segmented. It is not just that Germans long for a Mercedes while Italians prefer Puntos and Ferraris.

These differences help to underpin the pattern of market segmentation which means that the world car industry does not face a global market but a collection of distinct national markets. Moreover, it is important to the profitability of the world car industry that these markets remain segmented.

Car prices in Britain have been higher than those in continental Europe for many years. The law of one price does not hold: pricing, sales and distribution strategies in different markets do and must remain distinct.

Now hotels or car hire, or accountancy are different still. In these industries, production is necessarily local. A car, a gallon of petrol and an aircraft all come to you. You go to a hotel, you hire the car where the car is. The accountant who audits your British operations is British while your Indonesian affairs are reviewed by someone in Indonesia.

Globalisation here is about marketing, not about production. How does a British firm buy a reputable accountant in Indonesia, a tourist find a reliable car on a Greek Island, or an American locate a decent hotel in Bogota?

The answer in each case is that you look for a name such as Price Waterhouse, Avis or Marriott. What makes the markets for these products global is not the greater mobility of goods and services – which has created a global car industry. It is their essential immobility, which creates a global market for a local product.

There is not, and never will be, an Arthur Andersen audit factory in Chicago which services the world. In contrast to the Boeing factory in Seattle which really does manufacture most of the world's aircraft.

It is easy to confuse these different models, and serious business errors result. Is the legal services industry like Boeing, or like Marriott? In some areas, we have Boeings; the dominance of Linklaters and other London law firms in world securities markets is the legal equivalent of that production facility in Seattle. In others, there may be Marriotts: one way to find a good lawyer in Indonesia may be to look for the name Skadden Arps.

But notice how that method of globalisation has to be implemented – not, as in manufacturing by transferring production facilities overseas, but by franchising your name to one of the best local firms, which is what Price Waterhouse, Avis and Marriott do.

Many internationalising law firms are uncertain whether they are Boeings or Marriotts. Perhaps they are neither and would do better to stay at home. The problem is globalisation has many different causes. Sometimes, as with oil, it is the result of international patterns of comparative advantage.

Aircraft are somewhat similar, with Boeing's competitive advantage enhanced by scale economics.

Accountancy is quite different. There are no scale economies here, which is why production remains fragmented, but there are economies of scope in marketing which make that very fragmentation efficient.

So what of American and BA? Competitive advantage is promoting globalisation in aviation – which is why firms like American and BA have been gaining from Air France and Pan Am. But that is a reason why these firms will prosper without an alliance, not an explanation of why they need one.

And there are no economies of scale worth speaking of in associating American's hub at Dallas with BA's at Heathrow. You are thrown back on the merits of common branding and franchising, as for accountants, rental cars and hotel. An argument which would be rather more compelling if American were vouching for the quality of Aeroflot or Guruda than for an airline with a fine established reputation of its own. There again, perhaps it's just about monopoly.

The progress of globalisation

Commodity	Market	Industry	Rationale
Oil	Global	Global	Comparative advantage
Cars	National	Global	Comparative advantage. Scale economies in components
Accountancy	Global	National	Scope economies in marketing
Aircraft	Global	Global	Scale economies

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ARTS

Lifar lives again in 'Le Chevalier'

Clement Crisp hails a revival of this masterpiece by the Paris Opéra Ballet School

And there they were on the boards of the Palais Garnier, bright with hope, no less bright in talent, taking what is the Promised Land – or at least the Promised Stage – of their dreams. They were, on Wednesday night, the students of the Opéra Ballet School in their annual performance. Theirs is a great academy, made greater in recent years by the directoral policies of Claude Bessy, and for the present display Mme Bessy pays tribute to Serge Lifar on the tenth anniversary of his death.

So, a revival of Lifar's *Le Chevalier et la Damoiselle*, one of his most typical and most assured works. It is typical in its insistence upon the use of fine French music and design: a score by Philippe Gaubert, decoration by A.M. Cassandre. It is no less typical in its intelligent narrative – a medieval lady turned by night into a hind, from which enchantment she is rescued by the true love of a Chevalier – and in its neo-classic language. Lifar made its two acts in 1941, just as the German occupation tightened on France, and it is surely not extravagant to see in this chivalrous narrative a reminder to the public of nobler times, while it was part of Lifar's policy to keep the flag of his great company and of French art flying against any odds. Lifar danced the heroic role of the Chevalier; Solange Schwartz, both brilliant and delicate in style, was the hind/Damoiselle. (The ballet knew only one revival, in the late 1950s, when I saw it with the Michel Renault and Liane Dayde.)

By the greatest good fortune, the Opera's store-houses yielded up the original sets and most of the costumes, and these reveal the exceptional gifts of Cassandre as stage decorator. Celebrated for his graphic design during the 1930s – the posters for the *Normandie* and for *Vins Nicolas* – he produced no less bold images for the theatre: an *Amphitryon 38* for Louis Jouvet; a celebrated post-war *Don Giovanni* at Aix; *Les Mirages* – still happily in the Opéra repertory – and *Dramma per musica* for Lifar. His two sets for *Le Chevalier*, a forest and a castle courtyard, have a bravura in suggesting a Giotto landscape that never overwhelms the dance, and this revival is a significant reassertion of his importance. The Gaubert score is true *musique dansante*, excellently made (a pupil of Fauré, he won the Prix de Rome, and died aged 62 a few days after the premiere of *Le Chevalier*). It has distinctly Glazunov-ish moments for the adages by the lovers, but for the rest is evocative of the ballet's time, given that a waltz or two is also inevitable.

There are four main roles: the Damoiselle (taken on Wednesday by Eleonora Abbagnato), the Chevalier (Jean-Sebastien Colau), and three Knights who protect the Damoiselle and must engage the Chevalier in single combat which, naturally enough, he wins. Surrounding them, merry peasants, nobles, hinds, and assorted varlets. Abbagnato is, I am sure, destined for fine things. Assured technique, eloquent line, touching dramatic skill, and a charm that has nothing precocious about it but is the sweet expression of a true gift, make her a delight. M. Colau fills out Lifar's role (and how strong still is the imprint of that great dancer in the noble poses that give the part its density of feeling) and plays a man's part in manly fashion. I thought the other knights, Julien Meyzindi, Stephane Bullion, Bruno Bouché, excellent. The ballet looked worthily itself, even if, for the closing duet, Abbagnato must abandon any pretence of medievalism and appear in a sugar-pink tutu to dance with her knight: shades of the inconsistencies of the old Mariinsky repertory when such dotty confrontations were the norm.

This school programme ended in a blaze of steps with the liveliest account of Balanchine's *Western Symphony*. Violette Verdy, in staging it, has passed on to her cast all her own musical felicity. The youngsters sparkle as dudes and dance-hall girls, and so does the choreography. Balanchine's sly joke is to make the second movement of this Arizona capriccio a Petipa vision scene – something from *Nikiya Get Your Gun*. Leading this revel, Lawrence Laffon gave an irresistible performance. She is pretty, witty, has impeccable timing, and if I have a hope for her (and my) future, it is that I shall have a chance to see her as Swanilda. She is a charmer.

The evening was, in sum, a triumph, and the conductor, David Coleman, a splendid advocate for the merits of the Gaubert score.

The Opéra Ballet School performs this programme at the Palais Garnier tonight and tomorrow.

Theatre

Chekhov tied up in knots

What hell it must be to actually be Howard Barker: bent double by the weight of an intellectually interrogated morality, possessed by a Pentecostal tongue of fire compelling him to a sophisticated glossolalia...

In fact, Barker's language is not all that knotty, but in as much as he uses it without respite as a tool of argument, lapses in concentration when watching a Barker play are fatal. As Peter Cook's E.L. Wisty might have said: "he's a very rigorous playwright. He's noted for his rigour. People come staggering out, saying 'Oh my God, what a rigorous playwright'".

Barker's "Notes on the Necessity for a Version of Chekhov's Uncle Vanya" speak of the need "to demonstrate the existence of will in a world where will is relegated to the comic or the inept." Hence, in this version, directed at a consistent fever pitch by the author for The Wrestling School, the company dedicated to his work, and located by designer Robin Don in a steel vault reminiscent of the hold of the Titanic after it has sunk – characters burst free of what Barker views as the immoral limitations imposed upon them by Chekhov.

Vanya (William Armstrong) shoots Serebryakov, Sonya (Claire Rushbrook) throttles Astrov (neither of which murders prevent the deceased from continuing to comment upon the state of affairs), and Helena (Victoria Wicks) embarks upon a passionate affair with Vanya, who significantly repudiates the diminutive form of his name and insists on being called Ivan.

At which point the sea materialises beyond the shattered walls of their metaphysical dungeon and washes up Chekhov himself, who is castigated at length by his characters for the crime of circumscribing them before he expires on a chaise longue.

Hardly your run-of-the-mill "what if?..." play, then, but one would not expect as little from Barker. The thing is that his passion for humanity is largely at one remove from the quality itself; his characters expend much more time and energy inciting themselves to existential freedom than they do embracing it.

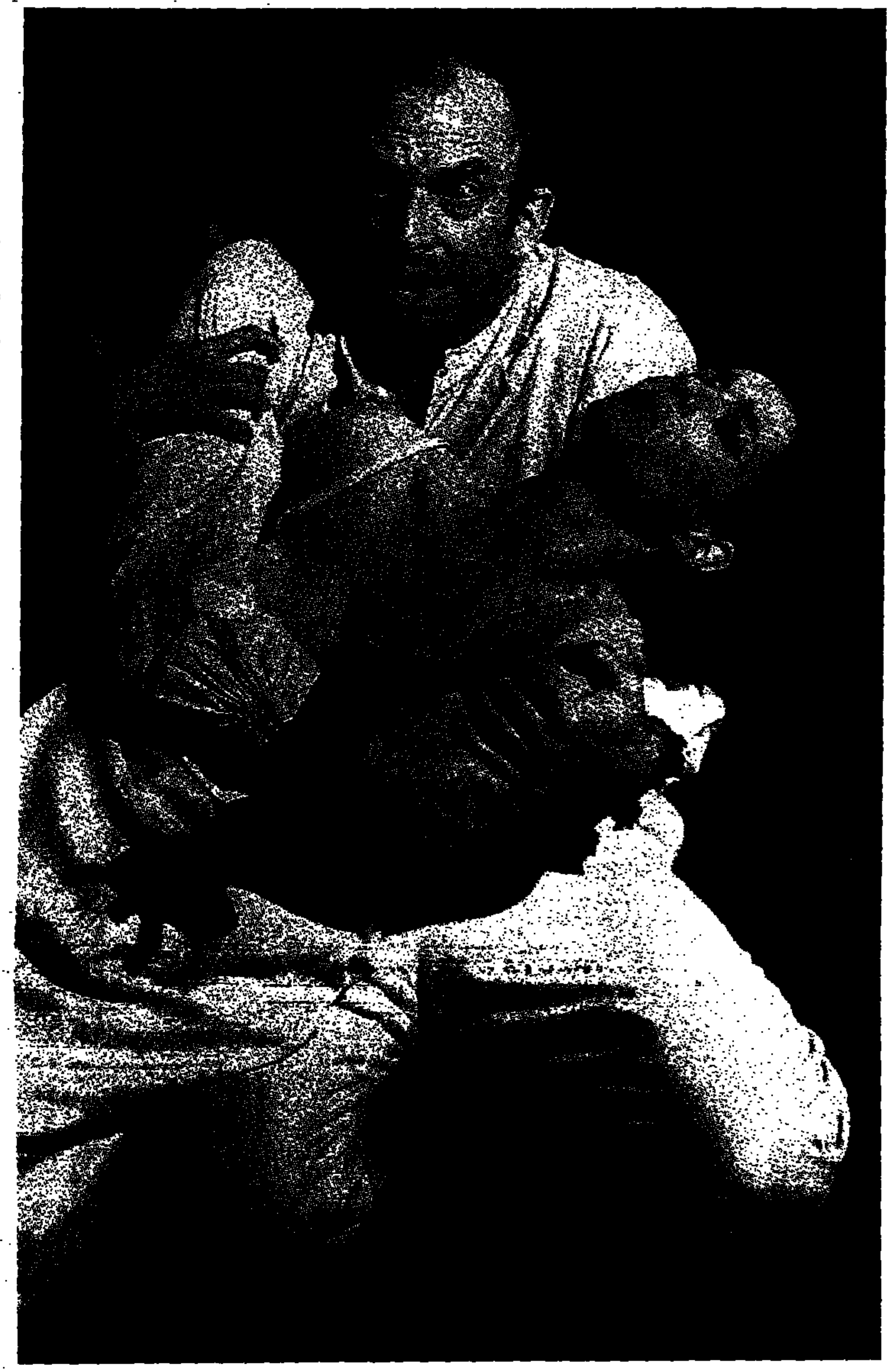
Barker is primarily a dramatic essayist, and his subject matter is in equal parts the moral necessity of accepting one's freedoms and the validity of using theatre to express as much. In arguing that artistic works not just may, but in a sense *must* be turned toward such an end, he enables much of his audience to effect the very disengagement he despises: art about art, runs the response; navel-gazing; switch off.

It is only half the picture, but an artist who asks, "Is it not too much trouble to seduce?" will find that his theatrical "transactions" involve more haggling than many may care to commit themselves to.

Howard Barker is the moral proctologist of contemporary theatre: like his medical counterpart, he performs a valuable, arguably essential function, but I for one feel little urge to experience his trade directly.

Ian Shuttleworth

At the Almeida Theatre, London N1 until Saturday (0171 359 4404)



William Armstrong and Victoria Wicks in Howard Barker's '(Uncle) Vanya'

Theatre/**Sarah Hemming**

Short pieces about lying

Charm is a dangerous item for any theatre company to rely on, but it has to be said that Theatre Alibi does possess it in barrel-loads.

This threesome from Exeter, currently appearing at BAC in south London, presents *Little White Lies*, an evening of short pieces about lying delivered in a jaunty, physical style.

When the show opens, with a rather daft little number about two crows and an angel debating which is the fastest route between "A and B as the crow flies", your heart sinks. Too winsome, too eager to please is your first impression. But over the course of the evening the group's charm and originality win you round and the final two pieces are really rather moving.

The stories are written by Daniel Jamieson, one of the three performers, and each explores the value of fiction, fantasy and fibs in getting us through life. In "Roses" a drunken down-and-out dreams he has a bottle of magic rose-flavoured liquor that transforms everyone who drinks from it.

One swig, and the harassed lady in the housing centre is offering him a choice between a bachelor pad in the town and a bijou country cottage; a quick pull at the bottle and the job centre is desperate to accommodate his ambitions. It is a touching fable, performed with a couple of ladders, a great many roses and a lot of physical gusto (including a remarkable impression of a JCB from Emma Rice).

The wistful element of that story is picked up again in "The Camera Never Lies", a more sombre piece in tone and performance style. Here, a photo-journalist accustomed to catching atrocities on celluloid, tells us of his recurring dream, in which he imagines that his picture-taking has managed to draw back to life a woman slain in combat. But when he takes a second look at the photos he realises that his camera has lied to him.

Balancing the importance of telling the truth against the necessity of creating fiction, the story is sensitively narrated by Daniel Jamieson and strikingly directed by Nikki Sved.

But perhaps the most disarming piece is the final one. "A Private Miracle" tells the – superficially ridiculous – story of a nun who, having survived a 50 foot fall, finds herself in hospital in the company of an angel. Is he there, or is he the creation of her shocked mind? By the end of the story it does not matter: what does matter is the fact that her belief in him and her experiences with him revive her interest in life.

In a surprisingly moving passage, the angel takes his new acquaintance on a flight to survey the world from his perspective – we and she are treated to a short film focusing on some of the innocent human activities that so often get taken for granted.

The piece has the fabulous quality of "Roses" and is quaintly, absurdly funny. But despite its lightness of tone, what stays with you is the yearning that seems to underpin it: a longing simply for a little more love between human beings. It is a small triumph to be able convey this without mushiness. Remarkable.

Continues at the Battersea Arts Centre, London SW11 (0171-223 2223).

Opera/**David Murray**

The Wild West in Ghent

For the Flanders Opera, Robert Carsen has been producing a complete Puccini cycle for several years now, opera by opera. His version of *La fanciulla del West*, which opened in Ghent on Saturday – the Flemish company plays alternately in Ghent and in Antwerp – proved so ingenious and engaging that one longs to catch up with revivals of his previous stagings. With the score in the reliable hands of Silvio Varviso, the performance was pretty much a triumph and a delight.

La fanciulla, Puccini's "American" opera, came quite late (1910), and the music displays all his practised expertise, and a newfound fascination with the whole-tone scale: there are many passages in which Debussy seems to be haunting the California gold rush. The problem with it has always been the book, drawn – like *Madama Butterfly* – from a melodrama by David Belasco, which irresistibly suggests an old silent film.

In his famous Covent Garden production, Piero Faggioni's solution was to lay on sumptuous, hyper-realistic sets (the largest saloon in the world, a whole craggy landscape for Act 3). For Flanders, Carsen has had the inspiration of taking the bull by the horns and setting the opera partly *in* a silent film. The miners are watching it as the opera begins, and as it fades into the saloon Minnie (Stephanie Friede) is queening it over the bar like an American Marlene Dietrich.

The action is played for full value, quite straight. The various Act 2 confrontations fairly sizzle, staged in Minnie's odd-angled, black-and-white "cabin", an *hommage* to *Dr Caligari*. At the climax of Act 3, when Minnie must arrive in the nick to save Dick Johnson from the noose (the point when credibility tends to collapse), a dissolve reveals Minnie beneath a starry cinema marquee. As she sings her heartfelt pleas to the miners we reach the happy ending in unabashed musical-comedy style, while the miners troop in to watch the next show.

Robert Carsen has successfully portrayed Puccini's opera as part of a silent film

This is one of the neatest ways of having one's cake and eating it that I can remember. No stinting on the cheap dramatic thrills, but we have the luxury of not having to take them quite seriously. So far as surface credibility goes, having three North American singers in the leads is a huge advantage: they look comfortably convincing in their Western togs, and they can all act. The Canadian tenor Richard Margison (who seems to be singing everywhere except in London these days) makes a stirring sound, but also stylish; and his tubbiness looks backwoods-natural and friendly in his bandit role.

Stephanie Friede delivers her music with excellent punch, and if her soprano has not the ideally liquid sound for her Act 3 heights, her Annie-get-your-gun manner more than compensates. For Jack Rance, the hostile sheriff, the baritone William Stone probably had more voice a few years ago, but he cuts a sharp, menacing figure. That excellent character-tenor Valentin Jar does a ripe cameo as Nick the barman, and the many smaller roles are enthusiastically filled. A happy audience cheered them all at length.

Further performances in Ghent June 21 and 23, in Antwerp, June 30 and July 2, 5, 7, 9 and 12; information from De Vlaamse Opera in either town.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

THEATRE
Het Muziektheater
Tel: 31-20-5518117
● Les Danaïdes: a large-scale dramatic production, directed by Silviu Purcarete, featuring 120 actors and musicians. The production is an attempt to reconstruct Aeschylus' tetralogy of the same name. Part of the Holland Festival; 8.15pm; Jun 22, 23

BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-2614383
● Amadeus-Kammerorchester Posen: with conductor Agnieszka Duczmal and cellist Mischa Maisky perform works by Corelli, Bruckner and Haydn; 8pm; Jun 22
● Lazarus, or The Feast of the Resurrection: by Schubert. Performed by the Deutsches Symhonie-Orchester with conductor Nikolaus Harnoncourt and the RIAS-Kammerchor. Soloists include Dorothea Röschmann, Luba Orgonasova, Elisabeth von Magnus, Scott Weir, Lothar Ordinius and Klaus Mertens; 8pm; Jun 22, 23

COPENHAGEN

CONCERT
Tivoli Concert Hall
Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Tamás Vetö and soloists Gitta-Maria Sjöberg, Susanne Resmark, Michael Kristensen and Stephen Milling perform excerpts from operas by Mozart, Beethoven, Puccini and Bizet; 7.30pm; Jun 24

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● The Royal Scottish National Orchestra: with conductor Owain Arwel Hughes, violinist Edwin Paling, soprano Ann Archibald, mezzo-soprano Ruby Philogene, tenor Toby Spence, bass Neal Davies and the Royal Scottish National Orchestra Chorus perform Beethoven's Egmont, Romance No.2 in F and Symphony No.9 (Choral); 7.30pm; Jun 22

GRAZ

FESTIVAL
Styriarte Graz
Tel: 43-316-70313835
● Styriarte: this summer music festival in Styria (Austria) in Graz, founded in 1985, each year focuses on a specific composer, including in the past J.S. Bach, Haydn, Monteverdi, Schubert and Mozart. This year conductor Nikolaus Harnoncourt has chosen the overall theme 'simply classic' focusing on the "Wiener Klassiker". Styriarte tries to reestablish an expression that seems to be rather worn out and thus offers a programme from the Middle Ages to the present day. Performers include the Chamber Orchestra of Europe, Concentus Musicus Wien, and the Arnold Schoenberg Choir with works by Monteverdi, Lully, Corelli, J.S. Bach, Handel, Haydn, Mozart, Beethoven and Schubert; from Jun 23 to Jul 14

LONDON

CONCERT
Royal Albert Hall
Tel: 44-171-5898212
● The Mozart Festival Orchestra: with conductor Ian Watson, soprano Elrian Davies, trumpeters William Houghton and Edward Hobart and violinist Christopher Warren-Green perform works by Albinoni, Pachelbel, Clarke, Stanley, Handel and Vivaldi; 7.30pm; Jun 22
St. Martin-in-the-Fields Church
Tel: 44-171-9300089
● The Feinstein Ensemble: with conductor Martin Feinstein perform works by Vivaldi, J.S. Bach and Pachelbel; 7.30pm; Jun 22
FESTIVAL
City of London Festival
Tel: 44-171-3770540
● City of London Festival: festival organized by the City Arts Trust, featuring music and theatre. This year's festival features among others a new production of The Mystery Plays by director Richard Williams, and performances by the London Classical Players, Felicity Lott, Ann Murray, Steven Isserlis, the Gabriell Consort, Peter Schreier, Viktoria Mullova, Maria João Pires, Oscar Peterson, the Borodin String Quartet and others. The theatre programme includes the show Carmen Funebre by the Polish company Teatr Biuro Podróży; from Jun 25 to Jul 14
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Giovanna d'Arco: by Verdi. Conducted by Daniele Gatti and performed by the Royal Opera. Soloists include June Anderson, Dennis O'Neill, Vladimir Chernov and John Dobson. Part of the Verdi Festival '96; 7.30pm; Jun 24

MADRID

CONCERT
Fundación Juan March
Tel: 34-1-4354240
● Emilio Mateu and Menchu Mendizábal: the viola-player and pianist perform works by Vivaldi, Marais, J.S. Bach, Beethoven and R. Schumann; 12noon; Jun 22

MUNICH

AUCTION
Sothebys München
Tel: 49-89-2913151
● Deutsche und Österreichische Malerei und Zeichnungen nach 1800: sale of 19th- and 20th-century German and Austrian paintings and drawings. The works on sale are exhibited from June 19-24; 7pm; Jun 25

NEW YORK

EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570-3600
● Collection in Context: Paul Cadmus, The Sailor Trilogy: Paul Cadmus' paintings of carousing sailors on shore leave in Riverside Park sparked a series of controversies when first exhibited in the 1930s; to Sep 1

PARIS

CONCERT
Notre-Dame de Paris
Tel: 33-1 42 34 56 10
● Office de la Vierge: by Villeneuve. Conducted by Nicole Corti and performed by the Maîtrise de Notre-Dame de Paris and Les Solistes de Notre-Dame; 8.30pm; Jun 25
EXHIBITION
Musée du Louvre
Tel: 33-1 40 20 50 50
● François 1er par Clouet: exhibition focusing on two portraits of François I in the collection of the Louvre. The display tries to answer the question who painted these portraits: Jean Clouet, his son François or his brother Paul; to Aug 26

SAN FRANCISCO

EXHIBITION
SFMOMA - Museum of Modern Art
Tel: 1-415-357-4000
● Toward Abstraction: The Art of Paul Klee: from figurative works to landscape, this exhibition illustrates the artist's experimentation with abstract art; to Jun 23

TEL AVIV

OPERA
The Opera House
Tel: 972-3-6927777
● The Bartered Bride: by Smetana. Conducted by Mark Elder and performed by the Israelian Opera. Soloists include Valentin Prolat, Marina Levitt and Vladimir Braun; 9pm; Jun 22, 24 (8pm)

VIENNA

OPERA
Wiener Staatsoper
Tel: 43-1-514442960
● Rigoletto: by Verdi. Conducted by Simone Young and performed by the Wiener Staatsoper. Soloists include Ruth Ann Swenson, Leo Nucci and Marcello Giordani; 6pm; Jun 23

WARSAW

DANCE
Teatr Narodowy - National Theatre
Tel: 48-22-263289
● Hommage à Varsovie: highlights performed by European ballet companies on the occasion of the 400th anniversary of the transfer of the capital of Poland from Cracow to Warsaw; 7pm; Jun 21

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Christopher Hogwood perform opera overtures by Mozart arranged for winds, Well-Tempered Fugue arrangements by J.S. Bach/Mozart, and Mozart's Viola Quintet in C minor, K516b; 8.30pm; Jun 22

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Philip Stephens

Time to strike a deal

John Major has no option but to accept the proposals on offer from the EU to end the beef war – whatever his doubts

If all goes to plan at the European Union summit in Florence an insensible war will reach a sensible conclusion. Taken at face value the proposed deal to end the confrontation between Britain and its EU partners over beef is a sane compromise. That will be little consolation for Mr John Major. In the arena that matters, politics, he has already been declared the loser.

Mr Major is in volatile mood, enraged by the headlines he has left behind in Britain. On Wednesday night, when the news broke that the government had made a further concession to Brussels, his reaction to the subsequent news bulletins was volcanic. He thinks his four-week campaign of non-cooperation has worked. But he knows others are not convinced it has led to anything but an ignominious climbdown.

So the prime minister will be asking for more than is contained at present in the European Commission's five-point programme for a gradual lifting of the ban on British beef products. He wants some assurance that Britain's partners will not be obstructive once the process has begun. Above all, he needs an indicative timetable. That holds the risk that other governments will dig in.

Mr Jacques Chirac has been helpful. When Mr Malcolm Rifkind, the foreign secretary, visited the French president at the Elysée palace two weeks ago, he was told there was no need to apologise for Britain's tactics. France would have done much the same.

Some have been less indulgent of Mr Major's blackmail. Chancellor Helmut Kohl still holds the prime minister in some affection. The German leader is anxious too to break the paralysis which has gripped the intergovernmental conference on the next stage of integration. But Mr Kohl sees Mr Major as a helpless prisoner of the Tory Eurosceptics. Theirs is not a cause which the Chancellor can put before the interests of German consumers. Some face-saving will be needed.

Behind the political theatre in Florence's Fortezza da Basso, though, will lie a simple truth. Whatever his doubts, Mr Major would be foolish beyond description not to strike a bargain. Deadlock would leave him at the mercy of his party's most virulent Europhobes. They have no interest in any settlement with Brussels. But an escalation of the present conflict would invite his cabinet to join the Tory civil war over Europe. Many of his most senior colleagues are already deeply uncomfortable with what is tartly described in the corridors of power as "the prime minister's policy". The Whitehall establishment has been ranged against it, the foreign office in despair.

I sense Mr Major knows this. His stated aim four weeks ago was to concentrate the minds of his European colleagues. Instead, the confrontation has served to intensify the conflict over Europe in his own party. It has reinforced the impression of division and incompetence. Most dangerous – and some of us predicted this at the outset – it has allowed the Eurosceptics to define the terms on which the outcome will be judged. Mr Major must surely understand now that too many in his party are beyond reasonable compromise.

> Deadlock at the Florence summit would leave the prime minister at the mercy of the Tory party's most virulent Europhobes

So in the discussions around the cabinet table in recent weeks the real influence has been wielded by three ministers. Mr Rifkind, once keen to win plaudits from the Eurosceptics, may have started off a hawk. But his tours of European capitals have been a learning process. Those around him believe he has grown up during the past four weeks. It seems he has also taken seriously the threats of retaliation if the issue is not resolved in Florence. One suggestion has been that Britain's voice would be ignored in all discussions where others could decide by majority vote. The foreign office meanwhile has been deluged with protests from another source – the innocent countries outside the European Union which have seen their aid or trade agreements held up by British obstinacy.

Mr Kenneth Clarke, the chancellor, and Mr Michael Heseltine, deputy prime minister, have formed the other two sides of this triangle of influence. They had their doubts at the outset about the policy. Mr Heseltine had been among the first to toy with the idea of retaliation when the ban on beef exports was imposed in response to the BSE crisis. But it was a brief flirtation. Mr Clarke always feared another turn of the anti-European ratchet. Thus both made clear their support was conditioned by Mr Major's pledge that his objectives were strictly limited. They will back him in any effort to wring further assurances in Florence. Beyond that, he cannot be certain.

The prime minister is caught both ways. As Mr Tony Blair signalled in the Commons yesterday afternoon, the Labour party will do all it can to incite and exploit the anger of his Eurosceptics. Do not expect Mr Blair to put principles before politics. A few days ago, the Labour leader travelled to Bonn to explain how he would take Britain back into the centre of the European debate. All the appropriate clichés were produced. By yesterday he was ridiculing the prime minister for not striking a tougher bargain over the lifting of the beef embargo. No matter that he knows as well as the rest of us that there was never the slightest prospect that Britain would be offered a firm timetable for dismantling the ban.

Mr Blair is impatient of those who question such political opportunism. More than once in recent days I have been told not to be naive. Politics is a grown-up game. The function of the opposition is to oppose. The best hope of a sensible European policy lies in the election of a pro-European Labour government. But how pro-European? Mr Blair may have positioned himself perfectly. But opportunism can too easily become a habit. To follow the logic of his onslaught would be to turn down the only deal on offer. How does that fit with "walking tall in Europe"? When the election comes the voters will be looking for constancy as well as fleetness of foot.

Talk to officials in other European capitals and they will tell you they have given up on Mr Major's government. In the same breath they will add they are far from certain that Mr Blair would be that much different. I suspect he would. But the moral drawn by Britain's partners from this latest confrontation is straightforward. A way must be found in the intergovernmental conference to circumvent the British veto. They will not be held hostage twice.

The more immediate risk for Mr Major is of an unholy alliance between Labour and the Eurosceptics on the Tory backbenches. It is a risk he must take. To do otherwise would be to invite the final disintegration of his government. Six years ago Mrs Margaret Thatcher returned from a European summit in Italy having thrice said No to her partners. No-one knows better than Mr Major what happened next.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Arms code should be in Maastricht treaty

From Mrs Glenys Kinnock MEP, Mr Jan Bertens MEP and Dr Christophe Konrad MEP.

Sir, Five years ago today in Luxembourg European heads of state agreed seven criteria (an eighth was added a year later) that should govern all European arms exports.

Coming in the aftermath of the Gulf war, these criteria were heralded as introducing a more responsible approach to the sale of weapons.

The criteria seek to prevent arms sales to countries with poor human rights records, regions of instability, military aggressors and dictatorial regimes. They are, however, non-binding and, five years on, there has been little effort to reach agreement on common implementation.

As a result, alarming discrepancies still exist between national export policies. These have led to a flow of arms from the EU to unscrupulous countries throughout the world.

The intergovernmental conference provides an ideal opportunity for European countries to review the application of the criteria and to harmonise their export controls at the highest level.

We, therefore, call for an enforceable European code of conduct on the arms trade to be introduced into the Maastricht treaty. EU countries account for 30 per cent of all arms exports to the developing world, so the introduction of such a code would be a significant step.

Furthermore, it would set an important precedent for other leading suppliers. Next week the US Senate votes on a similar code and a group of former Nobel Peace Prize winners are spearheading a drive for an international code.

These initiatives provide a real chance to control a trade that has fuelled conflicts in which 4m innocent civilians have died since 1990. It is an opportunity that should not be missed.

Glenys Kinnock,
vice-president of the African, Caribbean and Pacific/EU joint assembly,
Jan Willem Bertens,
president of the sub-committee on security and disarmament,
Christophe Konrad,
member of the sub-committee,
European parliament,
Rue Belliard 97,
B-1047 Brussels, Belgium

Minimum standards are good for competition

From Mr Peter Coldrick.

Sir, Martin Wolf might as well ask "When did the trade unions stop beating their wives?" ("Thinking the unthinkable", June 18). If they say that his agreement with Professor Patrick Minford's concern about the cost of the social chapter is absurd, he could reply that even if the actual results so far of the chapter are minimal (which is the case, certainly in cost terms), the trade unions want much more. And they can hardly deny that, can they?

So, would someone else – preferably an employer – please write to point out that laying down some minimum standards across Europe will not only stop some exploitation, though by definition only the worst cases, but will also promote competition, which is what the single market is meant to be about, though, admittedly, on the basis of excellence and not unscrupulousness.

Peter Coldrick,
277 rue au Bois,
Brussels B 1150, Belgium

From Mr Andrew Duff.

Sir, Patrick Minford perpetrates the myth that the social chapter of Maastricht imposes a minimum. Martin Wolf ("Thinking the unthinkable") perpetuates it. Both are wrong. Read the Treaty (Article 2(6) of the Agreement of Protocol No. 14).

Andrew Duff,
director,
Federal Trust,
11 Tufton Street,
London SW1P 3QB, UK

From Mr Duncan Sandys.

Sir, Martin Wolf concluded his article on the price of British membership of the EU with the sentence "In or out, it is the efforts and the skills of the British people that will largely determine how well the UK economy performs". He had also placed a condition earlier in his article: the UK would have to stay clear of "the dottier aspects of EU labour market policy". If, as he says, "the net economic impact of EU membership [for Britain] is probably not that large", why are we subjecting ourselves to the risk of damaging the UK economy by remaining in the EU when the benefits, according to Mr Wolf, are just as great outside?

Duncan Sandys,
Charnwood, Shackleford,
Godalming, Surrey, UK

UK industry healthily active

From Ms Joanna Scott.

Sir, Verner Wheelock's advice in the article "Food industry's healthy debate" (June 14) that industry should adopt "a positive approach to health issues" reflects how out-of-touch he is with the industry's initiatives.

The Food and Drink Federation, as the umbrella trade organisation of the UK food manufacturing industry, will continue to support the government's specific "Health of the Nation" targets in relation to fat and saturated fat, blood pressure and obesity. Dame Barbara Clayton recognised this work of industry at the April launch of the Nutrition Task Force report to government ministers. She also strongly emphasised the importance of further action on obesity.

FDF has taken up this challenge and launched on June 3 1996, a "join the activaters" pilot campaign. FDF's campaign promotes the complementary benefits of moderate physical activity and enjoyable healthy eating, as the most effective way of tackling the growing trend towards obesity. The conference at the Royal Society of Medicine (London) was welcomed by more than 200 medical professionals, health and fitness promoters, food and drink industry figures, government representatives, and scientists from research institutes who attended.

Joanna Scott,
head of external relations,
Food & Drink Federation,
6 Catherine Street,
London WC2B 5JJ

A generous contribution

From Mr Stephen G. Brown.

Sir, I see that the UK's current overseas aid budget is £2bn.

I also see ("Thinking the unthinkable", June 18) that the net contribution of the UK to the EU is £3.4bn, presumably to the benefit of countries less well off than ourselves.

Aggregating the figures we come to £5.4bn, or just in excess of 0.7 per cent of the UK gross domestic product, which is exactly in line with the UN target.

I think we are a pretty generous nation.

Stephen G. Brown,
10 Knowehead Terrace,
Pollokshields,
Glasgow G41 5RF,
Scotland, UK

Europa • Dominique Moïsi

A real choice for Russia

The presidential election offers Russians two distinctive visions for the future

Is Russia becoming a "normal" country? The signs are contradictory. On the one hand, the results in the first ballot of the presidential election last Sunday are reassuring. As in most western democratic elections, Russians voted "against" a candidate rather than for one, according to whether they feared the return of the past more than they resented the pursuit of the present. And as in most normal elections, the results have been close.

On the other hand, the alliance forged between General Alexander Lebed and Mr Boris Yeltsin in the immediate aftermath of the election is far from democratic. Gen Lebed has already become part of Mr Yeltsin's team, as if the electoral process were over and the verdict final. In fact no one yet knows how Gen Lebed's supporters will cast their votes in the second round when faced with this "fait accompli".

Politically, the choice is not a simple one between democracy and totalitarianism. Mr Yeltsin is not a democrat and a victory for Mr Gennady Zyuganov, the communist candidate, would not spell a pure return to the past.

Yet the difference between the two men is enormous, if only because Mr Yeltsin has the backing of some of the best people in Russian society – such as its new entrepreneurs and democratic campaigners.

The immense majority of those behind Mr Zyuganov are unrepentant supporters of the former Soviet regime without any sympathies for democracy. Like the *ancien régime* aristocrats after Napoleon's defeat in France, these men have learnt nothing from history.

A victory for Mr Yeltsin would mean the way to future reforms remained open; a victory for Mr Zyuganov would most probably signify the effective closing of such a door. Thus it is natural that a young and ambitious man such as Gen Lebed would throw in his lot with Mr Yeltsin rather than Mr Zyuganov.

Part of the team: Alexander Lebed (left) with Boris Yeltsin Reuter

There are many among Russia's intelligentsia – and outside the country – who rightly denounce Mr Yeltsin's policies in Chechnya. But wrongly, they still refuse to choose between two evils, out of moralism or even nihilism.

Yet this is not the sort of empty electoral choice offered in the days of the former Soviet Union: there are genuine differences between the two candidates that are obvious for all to see.

Whatever the contradictions, inconsistencies, brutality and corruption of the wild capitalism that has flourished under Mr Yeltsin's presidency, Russia's new economy is alive, if not well.

If the communists were back in power, the country's new economic dynamism would be destroyed by their old-fashioned policies and lack of competence in governing a market economy. Even a partial return to a centrally planned economy would break Russia's economic momentum.

The moral issues at stake in the election are also important and should not be ignored in the current phase of political horse-trading.

After more than 70 years of a brutal, inefficient, totalitarian regime, could the Russian people put an end to their own liberties in a free vote – and not through a *coup d'état* as in October 1917 when the Bolsheviks seized power?

Yet there is a sense in which the presidential election is also something of a referendum on the geographic identity of Russia.

The communists tend to place Russia more in Asia than in Europe, and are fascinated by the Chinese economic miracle which they see as proof that economic growth does not necessarily presuppose democracy. They point to the continuation of intense economic exchanges between China and the west even after the suppression of the pro-democracy movement in 1989. They see it as evidence that an economically cynical and morally neutral western world would retain links with Russia whatever the nature of its regime.

The majority of Russians nostalgically yearn for a strong leader, their ideal model being Peter the Great. Neither Mr Yeltsin nor Mr Zyuganov can fill such a role, but Gen Lebed may be able to offer them such leadership. His strong, charismatic, honest image might have been more important for the Russian voters than his opposition to the war in Chechnya.

Yet the Russians have tasted the long-forbidden fruits of freedom and have become accustomed to a relatively free press. It will be difficult for any Russian leader to slam the door of freedom shut again. A civil society has slowly emerged and mushroomed, first under Mr Mikhail Gorbachev and then under Mr Yeltsin. It will not be closed that easily.

Western observers should also avoid predictions that a new cold war is about to start with the resurgence of strong Russian nationalism. Russia is too weak and disorganised militarily, too dynamic economically, too open socially, to become once again what Mr Ronald Reagan, the former US president, called "the evil empire".

This military weakness may also prove to be a guarantee that, in spite of all the rumours of intervention by the armed forces or security services, legality will ultimately prevail. There are simply no military forces available to stage a coup.

And the Russian people – like the Spanish at the end of General Franco's authoritarian rule – have seen too much violence and bloodshed in their lifetime.

The spectre of civil war may be still raised but it reflects a dark narcissistic streak in the Russian outlook, rather than a sober appreciation of reality.

Thus the west should set clear goals in its developing relationship with Russia. It is fine to say as a slogan: "Let us engage Russia in Europe if we can. Let us contain Russia if we must." But the west has failed to send Russia clear messages about either engagement or containment.

Those who advocate engaging Russia in Europe seem to draw the line at admission to the European Union. Yet advocates of containment seem happy to leave the countries of the former Soviet Union to the east and south to Russia's uncertain moderation and goodwill.

The west must offer Russia a clear role as a pillar of a new European order, while encouraging Moscow to become the focal point of a new and dynamic region straddling eastern Europe and Asia – provided Russia remains on a stable and democratic path.

The author is deputy director of the Paris-based Institut Français des Relations Internationales and editor of Politique Etrangère. *He writes here in a personal capacity.*

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Battle for Lebed's soul

The impact of General Alexander Lebed on the highest ranks of Russia's mysterious power structure has been even swifter than anybody expected. Within a couple of days of his appointment as head of the Security Council, the balance of power in the Kremlin has tilted. The advantage has gone – for the moment at least – to the liberal camp which believes that democratic procedures rather than brute force are the best way of keeping President Boris Yeltsin in office. As a result, three of the most ruthless members of the presidential entourage, who between them deserve much blame for fanning the flames of war in Chechnya, have been dismissed.

There is, on the face of things, a satisfying irony in the fact that Gen Lebed, a strapping ex-paratrooper who appears to epitomise military virtue, has been a source of support for the Kremlin's hitherto hard-pressed doves. In the short term, the way has been cleared for a series of positive developments. Mr Yeltsin's chances of defeating his communist opponent, Mr Gennady Zyuganov, in the second round of the presidential elections look better than ever. More important, the departure of Generals Mikhail Barsukov and Alexander Korzhakov makes it more likely that Mr Yeltsin's reformist instincts will prevail over his equally strong authoritarian streak. In particular, it should now be easier for Mr Yeltsin, with Gen Lebed's help, to disengage from the quagmire of Chechnya. As a battle-hardened warrior, Gen Lebed is one of the few critics of the Chechen war who is invulnerable to the charge of softness.

But his current alignment with those forces in Russian politics that are attractive to westerners does not guarantee he himself will prove a friend of the west. He has, it is true, the virtues of courage, sincerity and relative honesty: they mark him out as a plausible scourge of the corruption that has overtaken the Russian armed forces.

Many of his past pronouncements, however, have been naive at best, sinister at worst. As Russian commander in a breakaway enclave of Moldova, he delighted Slav nationalists by refusing to recognise that republic's elected authorities. Having denounced the Moldovan government as fascist, he went on, rather inconsistently, to profess an admiration for Chile's military rulers. Since then, he has moderated his language, espoused some liberal economic ideas, and made some eloquent comments on the need for Russia to overcome its bitter ideological divide.

But his outbursts in Moldova not only suggest a preference for brute force over legal niceties but also a troubling lack of sophistication – and hence, perhaps, a vulnerability to nationalist ideologues who are more devious than he is. While the angels may, for now, have won the war for Mr Yeltsin's soul, the battle for Gen Lebed's may only now be starting.

Bibi's team

As leaders of the Arab world gather in Cairo today for their first summit in six years, their attention will be focused above all on the new government in Israel. The victory of Mr Benjamin Netanyahu and his rightwing Likud party has shocked the party leaders into burying, at least temporarily, their own differences. Now they need to know if his government is one with which they can continue to negotiate, or if its election will mean an end to the peace process.

First signs from Jerusalem are mixed. On the one hand, Mr Netanyahu has indicated in his appointments that he intends to be pragmatic, rather than ideological. He has given strong emphasis to his vision of economic reform, privatisation and deregulation. On the other hand, his coalition cabinet of conservative and religious parties inevitably contains several personalities who have been consistently hostile to the peace process, and will be regarded with grave suspicion by the Palestinians and their allies.

In forming his new government, Mr Netanyahu has sought to exploit the presidential-style independence conferred on him as the first directly-elected prime minister, on a separate slate to that of his party. He has attempted to restrain the powerful barons of his own Likud party, including Mr Ariel Sharon, the hawkish former defence minister. But he has only partially succeeded.

By awarding the finance ministry to Mr Dan Meridor, the moderate former justice minister, Mr Netanyahu has deliberately snubbed Mr Sharon, and sent a positive signal to the business community. The appointment of Mr Natan Sharansky, leader of the Russian immigrant party, as trade and industry minister, should mean vigorous promotion of small business. And, in another clear indication of his priorities, the prime minister has extended the executive powers of his own office to include direct responsibility for privatisation.

Bibi Netanyahu's vision of a fast-growing, competitive Israeli economy, led by high technology and a dynamic export sector, is an attractive one. But it is incomplete. For the peace process launched by his predecessors, Mr Peres and Mr Rabin, was essential to the relaunch of the Israeli economy. It enabled the country to reopen relations with the rest of the world, including south-east Asia, its fastest-growing market.

Maintaining those external relations will be vital to the future prosperity of Israel. So too will be rapid economic growth in the Palestinian territories. Israeli security cannot be guaranteed by fences and armour alone. Mr Netanyahu appears to be pragmatic enough to recognise that, but he will be hard pressed to persuade all his partners, who are more intent on expanding settlements than making peace.

Labour's health

Mr Tony Blair confirmed yesterday that in health, as in most areas of policy, little but rhetoric now separates Labour from the government. This is to be welcomed. Both parties are committed to maintaining a state-funded, comprehensive health service run on modern management lines. The task now is to improve its efficiency, and to address dispassionately the hard questions raised by an ageing population, technological advance and the necessity to ration some publicly-funded services and treatments.

Mr Blair did not put it quite like that, of course. He talked of a "clear dividing line" between Labour and a Conservative party that will preside over the decline of the NHS until it ends up as a safety-net service". This is nonsense, as demonstrated by the record of public health expenditure and by Mr Blair's refusal to commit Labour to spending even a penny more on the NHS. It is not to be despised for that: the Tory right might all too readily contemplate a safety-net service if Labour were not breathing down its neck. But it should not obscure the facts behind the fiction.

In reality Labour will tinker a little and carry on much as before. Mr Blair committed Labour to a new minister to promote inter-departmental work on health inequalities; to an independent NHS Standards Agency; to a redeployment of some senior managers who become "senior bed managers"; and to a study "on how we can end trolley waits in the NHS". All very worthwhile, but not the stuff of clear dividing lines.

More substantial were his remarks about "replacing" the internal market within the NHS introduced by the government five years ago. Here again "replacing" does not really mean replacing. Most of the institutions of the internal market will remain. Instead of annual contracts between commissioners and providers, there will be "long-term agreements". The difference between an "agreement" and a "contract" is unlikely to be great. Mr Stephen Dorrell, the health secretary, is anyway contemplating an extension of contract periods because of NHS concern about existing bureaucracy.

In similar vein, Labour will replace GP fundholding – the other pillar of the internal market – with "a flexible GP commissioning model". This, too, appears to be code for the retention of many aspects of the existing regime.

In policy terms, this week's issue of the British Medical Journal is of more consequence than Mr Blair's speech. Its editorial deplores the fact that neither main political party "will openly acknowledge the inevitability of rationing", even while most members of the public recognise its inevitability and want to be involved in local and national decisions on the way forward. And rightly so.

Vulnerable to catastrophe

Sumitomo's enormous loss in the copper market exposes the deficiencies of Japan's corporate controls, says **William Dawkins**

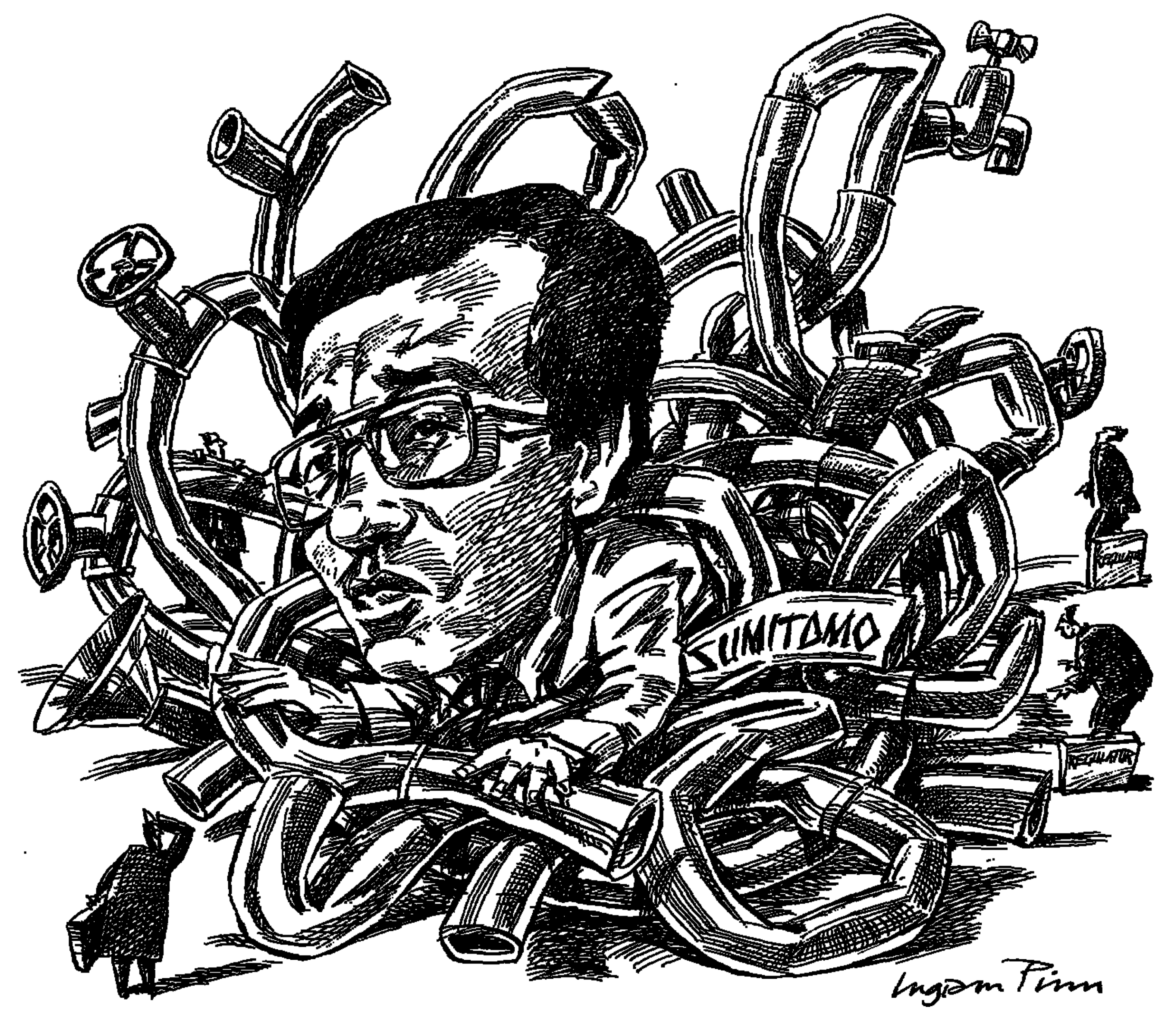
Japanese companies used to boast that their culture of personal trust was part of the team ethic that made them so strong. But, with their fast growth in recent decades, that reliance on trust has become harder to sustain.

Nowhere is this more true than at Sumitomo Corporation, one of Japan's most prestigious general trading companies. It was founded 400 years ago by a samurai turned Buddhist priest, whose descendants later held supreme positions of trust as financial advisers to the military aristocracy. The company is now one of the world's largest companies with interests that range from textiles and food to metals and machinery.

Yet the legacy of trust that has taken Sumitomo to this pinnacle was spectacularly broken last week by the group's £1.16bn loss on unauthorised copper trading, the biggest single investment blunder recorded. It appears to be the work of Mr Yasuo Hamanaka, 48, the flawed genius given charge of the world's largest copper dealing operation over the past 10 years.

To be fair to Sumitomo, it was unlucky to run into such a colossal blunder. "Only God can always win," remarked the Nihon Keizai Shimbun, Japan's leading economic daily newspaper. Yet it is becoming clear, as investigators in three countries start to sift the evidence, that Sumitomo was also especially vulnerable.

First, the company vested enormous trust in Mr Hamanaka – to a degree that with hindsight looks astonishingly naive, says a senior executive at another trader. He was given exceptional power to take sole charge of its copper-trading business and, unusually for any Japanese company, was kept in the same job for a decade. He was only moved last month – sideways, to work on an internal investigation, ironically, into his own activities.



Nothing about Mr Hamanaka's behaviour would have stirred suspicions. Commuting daily from a modest home in the Tokyo suburb of Kawasaki, the bespectacled trader rarely took holidays and frequently worked into the small hours. He was just another foot-soldier in Japan's army of self-effacing salarymen.

Like other employees, he would have introduced himself by company name first, personal name second: Sumitomo's Mr Hamanaka. The image was that of a team member, by training and instinct. Only three months ago, Mr Tomiichi Akiyama, group president, was quoted in the press praising his honesty.

Like Mr Nick Leeson, the rogue British trader who brought down Barings Bank, Mr Hamanaka was allowed to handle his own paperwork, which he stored in a personal locker. Nobody in his department was expert enough to keep track of all his dealings. His colleagues never had the chance to match his expertise since they were on one- or two-year postings, usually from sections unrelated to metals trading. Merrill Lynch, the US securities house which handled some of the group's copper accounts, has alleged that Sumitomo management authorised the deals that led to the losses. Sumitomo denies conspiracy, but if the allegation is true the company may have made a bad situation much worse by allowing Mr Hamanaka to go on piling up losses.

Sumitomo's vulnerability was enhanced by the fact that it was new to trading in copper futures. Entering this specialist market was a way of compensating for its shortage of mining interests: it controlled less copper than other trading companies and resorted to copper futures to assure supply.

It thus needed to build up expertise, and executives argue it seemed right to grant Mr Hamanaka such great responsibility. It was not until a receipt for an unauthorised copper futures transaction was mistakenly delivered to the Sumitomo finance section in March that the management took action.

"The biggest failure was that the company left one division in the same person's hands for too long," says Mr Akiyama.

But while some of the reasons for the losses are specific to Sumitomo, the affair raises uncomfortable questions about Japan's top trading companies, which include the world's four largest companies in turnover terms. Control issues may be a "problem" at Japanese companies generally, says Mr Tomio Tsutsumi, the most senior bureaucrat at the Ministry of International Trade and Industry. And Yomiuri Shimbun, Japan's largest circulation newspaper, has warned that the debacle may "further reduce trust in Japanese companies as a whole".

Certainly, Japan has notched up an embarrassingly long list of financial catastrophes in recent years. They include Daiwa Bank's Y110bn (£660m) loss on US treasury bonds last year, a Y152bn foreign exchange loss by Kashima Oil in 1994 and Showa Shell's Y165bn foreign exchange loss in 1993. The banks are also now writing off dud property loans made during the 1980s, to the tune of several thousand billion yen.

How could they all have been so bad at foreseeing risk? Misplaced trust in the rise in asset prices, a hangover from the boom years of the 1980s, is one factor, argues Mr Akio Mikuni, president of Mikuni Credit Rating, the only independent Japanese credit rating company.

"The attitude of Japanese management is still attuned to high growth rates and the inflationary trend of any commodity. That is the real problem," he says.

Another factor may be that Japanese companies are under less pressure to perform. The reason for this is that their main shareholders are often their banks, suppliers or even members of the same family of interlinked companies, or *keiretsu*. Business relations, as much as earnings per share, are these shareholders' priority – and they are unwilling to let blunderers collapse or be taken over. This is especially true of Sumitomo, where six *keiretsu* cousins are the largest shareholders with 24 per cent of the equity.

Japanese trading companies pose an additional risk management headache since they are highly diversified, both by geography and sector. This diversification has increased over the past decade as they have sought to bolster profits by expanding beyond their original export-import businesses into a wide range of ventures from satellite television to power generation.

Sumitomo, for example, made a meagre 0.12 per cent net profit margin on consolidated turnover of Y16,170bn last year. In an effort to raise profitability, it has built up interests in mobile telephones, industrial parks, textiles, food, chemicals, oil, steel and drug retailing among others and now does business in 90 countries. Like other Japanese traders, Sumitomo has a central risk management unit. But it was the last to have been suspicious that something was awry in the copper room, long after metal brokers and regulators in London sensed a problem.

For regulators, the business of policing trading companies is even more complicated. No single authority in Japan is held responsible for the companies' conduct because their activities come under several ministries. It is a telling example of the fragmented nature of the Japanese government, said by critics to wield enormous authority under the control of nobody in particular.

Some of the trading companies' activities fall under the eye of Miti, with its remit to supervise international trade policy, Japanese commodities markets and mining. But Miti had no responsibility for Sumitomo's copper trading activities because there is no copper exchange in Japan, a curious anomaly for a country with the world's second largest copper-smelting industry.

The finance ministry has the widest scope of any government body, yet it professes to have no interest in the consequences of Sumitomo's loss. That leaves the Bank of Japan, which has opened its own inquiry – but only into the risk, which it believes to be insignificant, that financial institutions doing business with Sumitomo might be harmed by the loss.

Japan's confusion over which agency polices trading companies is, of course, mirrored by the international uncertainty over the responsibility for the copper debacle. Six authorities in three countries – Japan, the UK and the US – are now carrying out separate investigations.

All of that invites an awkward question that is now troubling analysts and policymakers. Are there other unexploded financial bombs buried in Japanese companies, ready to be detonated at the lightest touch?

With fragmented regulation, a tendency to place faith in individuals, a presumption that asset prices will always rise and weak shareholder accountability, the danger that other large trading companies will face losses on a similar scale to Sumitomo's remains real.

· OBSERVER ·

Summing-up Sumitomo

■ Here's some interesting incidental intelligence about that copper market rumpus.

A technically minded trader at J.P. Morgan in New York wanted to know how often the market would be hit by price volatility of the severity it suffered in the wake of the Sumitomo affair.

The answer he arrived at suggests the volatility on the first day he checked would be repeated once every 4.7m trading days – or every 19,000 years. However, the volatility was equally severe for two successive days. And the probability of this being repeated was every 70.5bn years.

Thank heavens for small mercies.

Unlikely candidate

■ Three of the world's most well-known women politicians all lined up yesterday to tell the world that no, thanks very much all the same, they didn't want Boutros Boutros-Ghali's job as secretary-general of the UN.

That was fortunate, as he was telling all and sundry that he's putting in for a second term.

Mary Robinson, the Irish President, faxed a statement to Reuter saying she doesn't want it; Oeivind Oestang said on behalf of Norwegian prime minister Gro Harlem Brundtland "she is not a candidate. She has said it all along"; and in Geneva the UN High Commission for Refugees said that its head, Japan's Sadako Ogata was also not interested.

So which internationally-known, relatively underemployed, powerful female politician might the UN turn to, just in case Boo-Boo changes his mind, or the world jilts him? Oh no – surely not... No – she'd never take the job. The money – $286,000-a-year – would hardly be enough to fund her anti-European Union hobbies.

Soccer insomniacs

■ Something very strange is happening in Vietnam. People across the south-east Asian nation have this week been dropping off to sleep without warning – in broad daylight.

Waiters serving in hotels and restaurants popular with foreign businessmen yawn openly as they uncork wine bottles and serve food. Cyclo rickshaw drivers seem to be spending longer than usual dozing on street corners. Telephones are left unanswered at peak business hours.

The culprit is nothing less than football. In soccer-mad Vietnam, millions of young men and women have been staying up late to watch the European Championships, relayed live to a country six time zones away. Such is the sleep deprivation that some workers have been turning up four or more hours late for work.

No-one has yet calculated the loss to the country's national productivity but it's almost certain to be massive. Vietnam almost ground to a halt during the World Cup when it was last staged.

Whoever said "it's just a game"?

Frenzy in Firenze

■ Observer is looking forward to the summit gathering of EU leaders in Florence tomorrow and Saturday.

It has all the makings of a sparky event, having kicked off with a witty little local poster campaign, (falsely) stating that all the shops must be closed for the duration, and that citizens are advised to stay indoors. "I do not know what sick mind thought this up", says Florence's law and order chief, Francesco Berardino.

Nor does he stand much chance of tracking down the culprits – of almost 4,000 police assigned to guard the EU delegates, most are from outside town and don't know their way around the city.

Tory high pressure

■ As the UK nears a general election Tory strategists are considering any measure to give John Major the edge; one of the more bizarre ideas surfaced this week.

It's that Conservative party headquarters should employ a man from the Meteorological Office. "A few sunny days during the campaign period could make all the difference," says a government minister.

Noting how effectively the US general masterminding the operation, Dwight Eisenhower, used weather forecasts to time the D-Day landings in 1944, the minister believes that the Met Office could advise when there might be sufficient blue skies to ensure the Tories could pull off a similarly audacious stunt at the hustings.

Sorry to pour cold water over it, but – as Ike could have told the Tories – there was a little more to it than that...

New viral strains

■ Several new strains of computer virus have appeared suddenly in the US. Among the most virulent are the Pat Buchanan virus. When infected, your system works fine but complains loudly about foreign software.

Then there's the politically correct virus, which identifies itself not as a virus but as an electronic micro organism.

Nor should we forget the government economist virus. Nothing works but all your diagnostic software says everything's fine.

The Financial Times

50 years ago

Tin Price Agreement
It was reported yesterday that negotiations for an improvement in the price paid by the Ministry of Supply for Malayan and Nigerian tin had been concluded, and that an announcement of the new prices might be expected shortly. The invidious position of Malayan and Nigerian producers relative to tin prices ruling elsewhere has long been stressed, and the Nigerian producers have resisted an effort by the Government to renew the agreement at the old figure.

Efficiency of State Railways
Sir Ronald W. Matthews, chairman of the London and North Eastern Railway Company, speaking at a luncheon in Edinburgh, said that no very convincing arguments had yet been produced to demonstrate that the transfer of the railways to some form of State ownership would be productive of greater efficiency. There was a nice round phrase often used by Government spokesmen that a particular industry was "ripe for nationalisation." That phrase was a revealing one. The State did not sow the seed. It did not tend the young plant or assist its growth. It waited until the gardeners had done their work and then, judging that the fruit was "ripe," proceeded to pluck the luscious morsel.

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OECD report warns EU nations to cut borrowing

Germany and France may miss Maastricht targets

By Robert Chote, Economics Editor

France and Germany will have to do more to cut government borrowing if they are to hit the targets laid down for participation in a single European currency, the Organisation for Economic Co-operation and Development said yesterday.

But the Paris-based industrial nations' think-tank also warned that if every European Union member state took the steps necessary to reduce its budget deficit to below 3 per cent of gross domestic product in 1997, then the EU could be pushed into recession.

In its latest Economic Outlook, the OECD predicted that budget deficits next year would be 3.6 per cent of gross domestic product in Germany and 3.7 per cent in France. These are conspicuously higher than the European Commission predicted last month, although early drafts of the outlook put the French deficit at 4.2 per cent.

Germany's public sector debt is also expected next year to exceed the 60 per cent target in the Maastricht treaty and to be on a rising trend. If the fiscal criteria in the treaty were interpreted strictly, Denmark, Finland, the Irish Republic, Luxembourg and the Netherlands would be the only countries qualifying for European monetary union.

The forecast does not include the impact of the French government's recently announced proposals for FFr60bn ($11bn) of public spending cuts or Germany's plans for DM70bn ($45bn) of budget savings from 1997, because the OECD is not yet confident they will come about.

If only a few countries enter Emu in the first wave, the risk of recession would diminish. But activity would still suffer because France and Germany would have to be among them.

The OECD said the risk of triggering a further short-run slowdown could be averted if the impact of the economic cycle was taken into account when judging the deficit criterion. But this might weaken the momentum for the fiscal consolidation which is desirable in the medium term.

However, the OECD said there was scope to use lower interest rates to sustain growth in Germany and other member countries of the European exchange rate mechanism with credible policies.

The impact of fiscal consolidation in Europe will be augmented by the budget deficit reductions already under way in the US and those which should soon take place in Japan now that recovery there appears well-established.

"A policy challenge will be to ensure that simultaneous fiscal consolidation does not have substantial adverse short-run effects on activity in the OECD area," the outlook warned. "Monetary policy will have to be used to avoid this short-run risk, but care will have to be taken to avoid jeopardising the progress that has been made in bringing down inflation."

Mr Kumiharu Shigehara, OECD chief economist, said interest rates in the US would have to rise slightly in the second half of the year to ensure inflation remained low.

"The risk of overheating is sufficiently strong that the monetary authorities should, in our view, err on the side of caution," he said.

Poor job prospects, Page 5

India refuses to sign 'weak' global nuclear test ban treaty

By Frances Williams in Geneva and Mark Nicholson in New Delhi

India said yesterday it could not sign a global nuclear test ban treaty "in its present form" but would not block the treaty negotiations in Geneva, due to end on June 28.

The statement, which was made in New Delhi and Geneva, underscored fears that the treaty might never come into force if ratification by the three nuclear "threshold" states – India, Pakistan and Israel – is made a requirement.

The US is said to be leaning towards such a formulation which is already backed by the four other declared nuclear powers – Britain, France, Russia and China – and reflected in the draft text prepared by the chairman of the negotiations, Mr Jaap Ramaker of the Netherlands.

India says the current draft treaty does not go far enough towards total nuclear disarmament and would permit nuclear weapons states to continue the arms race through computer simulations and "sub-critical" tests.

Mr Salman Haider, senior official at India's foreign ministry, nevertheless said in Delhi there would be "no walk-out" from the talks and India would "continue to negotiate".

Western diplomats in Geneva said the Indian move appeared to be a negotiating tactic to secure changes in the treaty text but was also designed to prepare the ground for a later refusal to sign. Pakistan has said it will not ratify the treaty unless India does.

Ms Arundhati Ghose, India's ambassador to the 61-member UN disarmament conference negotiating the treaty, said the provisions on nuclear disarmament were "weak and woefully inadequate".

"We cannot accept that it is legitimate for some countries to rely on nuclear weapons for their security while denying this right to others," she said.

Although there is considerable support among non-aligned nations for stronger wording on disarmament in the treaty, India is isolated in its demand for a commitment to scrap all nuclear weapons in 10 years.

Diplomats still predicted there would be intense haggling over conditions for the treaty to enter into force as a result of India's move. Mr Richard Starr, Australia's disarmament ambassador, yesterday said it highlighted the folly of making the treaty hostage to any one nation.

Several countries, including Australia, have proposed a so-called "waiver" provision that would allow the treaty to come into force without one or more key states if there was consensus among the signatories to do so.

However, Sir Michael Weston, Britain's disarmament envoy, said last week: "Our view is that it is completely pointless having a treaty if it is not ratified by the five nuclear weapon states as well as India, Pakistan and Israel."

News Corp buys stake in Japanese group

Continued from Page 1

popular programmes such as *News Station*, a prime time news programme, is not listed. It has close ties to the Asahi Shimbun, a leading liberal national daily, which owns 10 per cent of the broadcaster, and Toei, a Japanese film company which has a 14.93 per cent stake.

The Japanese broadcaster said yesterday it welcomed the participation of News Corp and Softbank and hoped its new shareholders would "co-operate fully with and contribute to the business of TV Asahi".

While he was in Tokyo last week, Mr Murdoch met Mr Masayoshi Son, the president of Softbank who was instrumental in realising the latest deal.

Mr Son has overseen Softbank's expansion into publishing with the acquisition of Ziff-Davis of the US.

Ex-Bremer Vulkan chairman held after police raids

By Judy Dempsey in Berlin

Mr Friedrich Hennemann, the former chairman of Bremer Vulkan, Germany's largest shipbuilder, has been detained after police raids on homes and offices in several east and west German cities.

His detention comes after months of investigation by the federal auditing office and Bremen state prosecutors. They have been trying to establish what happened to DM716m ($464.9m) of public funds originally earmarked for Bremer Vulkan's east German subsidiaries but diverted to the parent company.

The move could generate further pressure from shareholders to reform Germany's management boards where the mechanisms for accountability and checks and balances are considered lax.

Mr Hennemann was detained after 80 police, including 59 federal criminal office officials, raided 29 homes and managers' offices in Bremen, Stralsund and Wismar on Wednesday evening. Documents and large amounts of cash were confiscated.

Yesterday evening prosecutors said they had applied for an arrest warrant for Mr Hennemann, who has previously denied any wrongdoing.

The raids came days after the completion of a report on Bremer Vulkan finances by the Federal Auditing Office, the state-financed but independent watchdog which monitors how public funds are disbursed. Yesterday it said it had sent the report to the budget committee of the German parliament.

An official from the committee said the report should finally determine the role played by the Treuhand, the agency charged with privatising east German industry. It had sold three east German shipyards to Mr Hennemann in 1992 despite misgivings from some Treuhand officials and bankers.

The official said the report should also clarify how the agency failed to follow up DM1.2bn of investments. He said the 41-member committee would discuss the report next Wednesday.

Mr Hennemann was forced to resign as Bremer Vulkan's chairman last autumn. The company had reported heavy losses of over DM1bn and bank credits of DM2.4bn. A new management team was installed and this year the company applied for protection from its creditors.

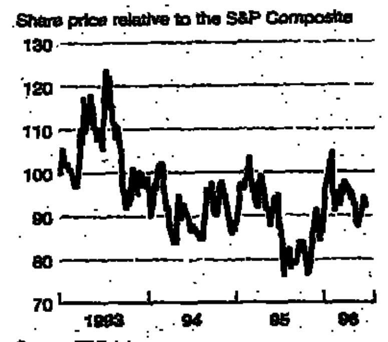
The east German shipyards have since been placed in the hands of the state of Mecklenburg-Vorpommern and the BvS, the successor to the Treuhand, which intend to re-privatise them. The future of the parent company has yet to be decided.

Congress dashes hopes, Page 3

THE LEX COLUMN

Tokyo comes clean

FT-SE Eurotrack 200: 1721.8 (-3.8)



Source: FT Extel

For two years, Japan's bankers, beating their breasts, have been declaring huge losses. Yesterday's results from Bank of Tokyo-Mitsubishi suggest investors should take their claims to have owned up to the scale of the bad debt crisis with a pinch of salt. The newly merged bank, now the world's largest, still has an astonishing Y1,721bn ($15.9bn) of bad loans on its books. The number is even more worrying than its sheer size suggests, for two reasons. The first is that the full extent of these non-performing loans has been revealed only because Bank of Tokyo-Mitsubishi chooses to report under stricter US accounting rules. The number disclosed in its Japanese accounts last month was a fifth lower. Second, Bank of Tokyo-Mitsubishi is probably the cleanest and best-capitalised of the big commercial banks. The notion that its weaker brethren could also be under-reporting problem loans is frightening. Even the US accounts may not be telling the whole story, since they do not catch the bad debts at affiliated companies, like trust banks and housing loan companies, which are not consolidated.

Clearly, it will take years for the Japanese banks to burrow out from underneath their bad debt mountain. Whether they will ever return to the centre stage they held in the 1980s is doubtful. The sheer size of giants like Bank of Tokyo-Mitsubishi should help them win their share of plain vanilla lending business. But Japan's banks will have a hard time catching their international rivals in more lucrative areas like investment banking, derivatives and fund management.

Westinghouse Electric

Westinghouse's latest acquisition of radio broadcaster Infinity takes it, with one final leap, just where it wants to be – in the land of the media giants. Even before the planned split of Westinghouse's media and industrial sides, the weight of its earnings from broadcasting will now make it hard for media investors – who snubbed the stock even after its CBS acquisition – to ignore. And with one of their darlings, Mr Mel Karmazin of Infinity, set to join the board, they may not even want to do so.

Westinghouse's timing is impressive. Having grabbed CBS just when deregulation opened up the television market, it is now the first to take advantage of the liberalisation of rules governing radio stations. Companies are still allowed to own only eight radio stations in one market, but this means divestments in just two, Dallas and Chicago. True, the company will need a waiver on a rule preventing ownership of radio and TV stations in the same market – but since the Federal Communications Commission is already considering scrapping that rule, Westinghouse should be able to present a convincing case. With $1bn of the $13bn radio advertising market, the combined group will certainly have greater selling power – but probably not enough to raise anti-trust concerns.

That said, the deal is not cheap, at 17 times earnings before interest, tax and depreciation. But given its strategic importance, this can hardly be held against it. The combination of the two largest radio station groups in the US is a trail-blazer: others in the still fragmented market will undoubtedly follow.

UK utilities

If Scottish Power is cracking open the champagne, its shareholders are unlikely to be joining in. Buying a water company makes plenty of strategic sense; the problem is that Scottish Power has ended up buying the wrong water company at the wrong price.

Forget the guff about earnings-enhancement; focus instead on cash flow. By comparison with bids in the electricity sector, and the price paid for Northumbrian Water, Scottish Power is paying a fat cashflow multiple – nearly eight times this year's earnings before depreciation, interest and tax. And discounting future cashflow suggests Southern Water is only worth £1.2bn-£1.3bn, a hefty £400m-£500m below Scottish Power's offer. Of course, Scottish Power should be able to add some value – but filling a gap of this magnitude looks an implausible feat. And even if it were not, Scottish Power could still have picked up a cheaper target by pulling out of the Southern Water battle and looking elsewhere.

Scottish Power shareholders should worry too that a big chunk of the acquisition is to be financed through a rights issue. Since the company will still have interest cover of an extravagant five times, the obvious conclusion is that the company wants to keep back firepower for further deals – a nerve-racking prospect, if this one is anything to go by.

In short, it is time for Scottish Power shareholders to press the management hard to justify both this deal and its future plans. If the answers are not convincing, shareholders should vote the Southern Water deal down.

Southern Electric shareholders, by contrast, can breathe a sigh of relief. The company deserves credit for walking away from the Southern Water tussle. But strategically, it is still left rather adrift. If this makes it vulnerable to takeover, though, shareholders will not complain. Alternatively, it could seize the initiative. It has plenty of options, such as bidding for a water company or a regional electricity company, or expanding into power generation. At the very least, shareholders should have a fat special dividend or share buy-back to look forward to.

Takeover tactics

Whatever the question marks surrounding Scottish Power's latest deal, its tactics include a sprightly new twist. Yesterday's £10.50 offer may have been described as final, but it included a sting in the tail: the right to add a further 50p if anyone counter-bid. The purpose, presumably, was to frighten off Southern Electric: £10.50 may have been the bid on the table, but Southern Electric had to judge whether it was worth out-bidding £11. At first sight, this looks brilliant: Scottish Power gets to scare Southern Electric with the overt threat of an £11 bid, without actually having to pay it.

But not really. Southern Electric could easily have called Scottish Power's bluff. It could have counter-bid, say, £10.70 – taking a leaf out of Scottish Power's book and reserving the same right to a 50p increase. Scottish Power would have been trapped: it could not bid more than £11, and even that would give Southern Electric guaranteed control, if it wanted, for £11.20. The wheeze may be imaginative, but it amounts to no more than sabre-rattling.

Additional Lex comment on Pace Micro, Page 19

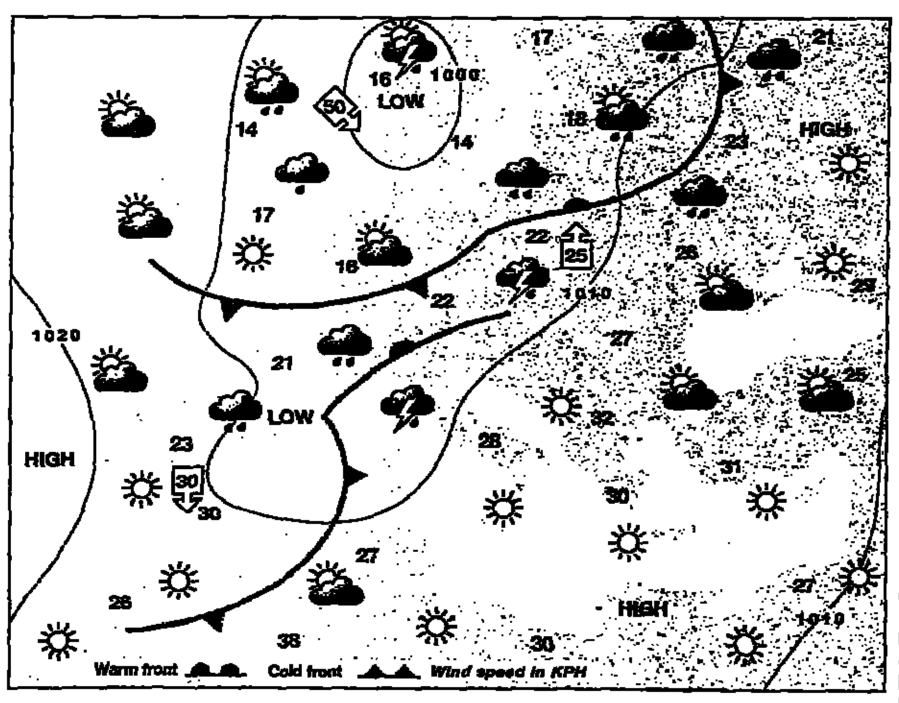
FT WEATHER GUIDE

Europe today

Cool and unstable air across north-west Europe will head south-east. Near the boundary between the cool air and warmer air across southern and eastern Europe, heavy rain and thunder showers will develop from northern Spain to the Alps. Most of the UK, southern Scandinavia, northern Germany, France and the Benelux will remain cool with scattered showers and some sunny spells. Spain and Portugal will turn cooler. Temperatures will be between 13C and 17C. Most of south-east and eastern Europe will be sunny and warm with afternoon temperatures around 30C.

Five-day forecast

During the weekend, cool air will spread towards central Europe and the Mediterranean resulting in frequent rain or thunder showers and lower temperatures. North-west Europe will continue cool with scattered showers this weekend. Beginning Monday, it will turn drier and temperatures will rise. South-east and eastern Europe will remain sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands.

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	40
Accra	fair	28
Algiers	fair	28
Amsterdam	shower	14
Athens	sun	30
Atlanta	fair	36
B. Aires	fair	10
B.ham	fair	16
Bangkok	rain	34
Barcelona	thund	25
Beijing	rain	25
Belfast	shower	15
Belgrade	sun	32
Berlin	fair	17
Bermuda	fair	28
Bogota	fair	17
Bombay	rain	30
Brussels	shower	15
Budapest	thund	25
C.hagen	shower	14
Cairo	sun	32
Cape Town	fair	22
Caracas	fair	31
Cardiff	shower	15
Casablanca	fair	22
Chicago	thund	27
Cologne	fair	16
Dakar	fair	30
Dallas	fair	37
Delhi	rain	30
Dubai	sun	39
Dublin	fair	15
Dubrovnik	sun	27
Edinburgh	cloudy	15
Faro	sun	24
Frankfurt	shower	20
Geneva	shower	23
Gibraltar	sun	26
Glasgow	fair	16
Hamburg	shower	16
Helsinki	shower	17
Hong Kong	rain	31
Honolulu	sun	33
Istanbul	sun	26
Jakarta	cloudy	33
Jersey	cloudy	15
Karachi	fair	40
Kuwait	sun	45
L. Angeles	fair	25
Las Palmas	cloudy	25
Lima	cloudy	18
Lisbon	sun	21
London	shower	17
Lux.bourg	rain	15
Lyon	thund	22
Madeira	fair	23
Madrid	fair	24
Majorca	fair	27
Malta	sun	28
Manchester	shower	14
Manila	shower	35
Melbourne	shower	13
Mexico City	fair	20
Miami	thund	32
Milan	thund	25
Montreal	fair	25
Moscow	shower	22
Munich	thund	22
Nairobi	fair	25
Naples	sun	29
Nassau	fair	32
New York	fair	32
Nice	thund	25
Nicosia	sun	35
Oslo	shower	17
Paris	cloudy	20
Perth	shower	16
Prague	shower	21
Rangoon	cloudy	28
Reykjavik	sun	13
Rio	fair	29
Rome	fair	28
S. Frsco	sun	19
Seoul	rain	28
Singapore	fair	33
Stockholm	shower	17
Strasbourg	rain	19
Sydney	fair	16
Tangier	sun	30
Tel Aviv	sun	30
Tokyo	fair	30
Toronto	fair	28
Vancouver	fair	20
Venice	thund	28
Vienna	shower	24
Warsaw	shower	22
Washington	fair	36
Wellington	shower	10
Winnipeg	fair	22
Zurich	rain	21

IN BRIEF

Renault to pull out of Formula One

Renault, the French vehicles group, is to quit Formula One grand prix motor racing at the end of next season – leaving the front-running Williams team of Damon Hill (above) and the Benetton team to seek new engine suppliers. Renault's withdrawal will end an eight-year involvement in Formula One. Page 16

Cir may sell shares to help reduce debt
Cir, the Italian holding company controlled by Mr Carlo De Benedetti, is considering the sale of part of its share portfolio as one way of reducing debt. Page 16

Scottish Power wins Southern Water battle
Scottish Power, the UK integrated electricity group, defeated Southern Electric, the regional electricity company, in the contest for Southern Water, the south-east of England utility, with a £1.67bn ($2.55bn) cash offer for the company. Page 19

Opel rises 18% despite currency loss
Adam Opel, the German subsidiary of the US's General Motors, reported an 18.2 per cent increase in net profits to DM363m ($235.7m) for 1995. The increase in overall profits came despite currency losses of DM322m, a reflection of the D-Mark's strength against other European currencies. Page 16

Bank of America plans capital markets cuts
Bank of America, the San Francisco-based US banking group, is to close its capital markets trading operations in France and Germany, a move that marks the first fruits of a review of the group's wholesale business in Europe, the Middle East and Africa. Page 17

KDB may tap Australian bond market
The state-owned Korea Development Bank is considering a A$250m (US$197m) bond issue on the Australian capital markets next month. If the issue goes ahead, it will be the first time an Asia-based sovereign agency has borrowed through the Australian bond market. Page 18

Tokyo-Mitsubishi shows accounts gap
Bank of Tokyo-Mitsubishi, Japan's largest bank, has disclosed that its bad loans calculated by US accounting standards for the year to March 31 are 22.3 per cent higher than the Y1,406.9bn ($12.9bn) amount announced in Japan. Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				
Rises				
Bil & Berger	619	+	14	
DLW	134.64	+	5	
VEW	486	+	9	
Sanders Freigg	115	+	5	
Falls				
Hochtief	845	–	13	
MAN	366.5	–	15.2	
NEW YORK ($)				
Rises				
Inter Hotels	23	+	2	
Teradyne	41	+	3	
Falls				
Alco Standard	48	–	10	
Amre Inc	20	–	3	
Dana Corp	58	–	10	
Times Mirror	38	–	6	
LONDON (Pence)				
Rises				
Anglian Group	165	+	15	
[illegible]	42	+	5	
Pentland	210	+	18	
Toredec	130	+	7	
Falls				
Co-Ascot	313	–	16	
Rodgate Tech	58	–	4	
TORONTO (C$)				
Rises				
Hemdon Masts	6.75	+	0.95	
Petersburg Lng	10.1	+	0.85	
Falls				
CRS Robotics	5.5	–	0.75	
Delmo Corp	16.05	–	1.2	
Fujitsu Tech	21	–	2	
Gandalf Techs	6.5	–	1.5	
PARIS (FFr)				
Rises				
Credit Local	427.1	+	12.8	
Remy Cointreau	133	+	4.3	
Sefic	230	+	12.3	
Falls				
Havas Adv	600	–	13	
Intertechnique	577	–	17	
Saez	198.3	–	6.1	
TOKYO (Yen)				
Rises				
Daicel Chem	669	+	29	
Dai Nippon Ink	559	+	20	
Fuji Heavy	573	+	25	
Hino Motors	1130	+	120	
Ishihara Sngy	440	+	23	
Falls				
Kanematsu	796	–	30	
BANGKOK (Baht)				
Rises				
Goodyear	446	+	28	
Inoue Rubber	77.5	+	7	
Thai-Denmark	41.25	+	3.75	
Falls				
LPN Devlpmt	42	–	3.25	
Siamvanich	528	–	40	
Siam Tyre	306	–	34	

Hong Kong closed. New York and Toronto prices at 12:30.

Canal Plus to end Bertelsmann pay-TV link

By Raymond Snoddy in London

Canal Plus, the French pay-television group, plans to end its "exclusive" agreement with Bertelsmann, the German media group, to develop subscription TV throughout Europe.

The agreement, signed two years ago, was designed to last 30 years although there are renewal points every five years.

Canal Plus believes the decision by Bertelsmann to merge Ufa, its TV division, with CLT, the Luxembourg-based broadcaster, breaches the agreement.

The French company could take legal action to end the agreement, but negotiations are under way to bring it to an orderly conclusion. Bertelsmann, which is determined to go ahead with the Ufa-CLT merger, has made clear it wants a "peace treaty" with Canal Plus.

The dispute is the latest example of tension between Europe's leading media groups as they form – and often break – alliances to launch digital TV.

Yesterday, Mr Pierre Dauzier, chairman of Havas, told his shareholders that talks were under way between Havas, Canal Plus and Bertelsmann to "clarify" the ties between the groups on German digital satellite TV.

Mr Dauzier said the talks were taking place in a "calm atmosphere" but added they should lead to "a greater freedom for each of the economic groups".

Similar remarks were made by Mr Pierre Lescure, chairman of Canal Plus, at a shareholders' meeting last Friday.

Canal Plus intends to remain in its other joint ventures with Bertelsmann.

These include the Premiere subscription TV channel in Germany and Vox, the German satellite channel in which Mr Rupert Murdoch's News Corporation hold a 50 per cent stake. Mr Murdoch is reviewing the Vox stake following his withdrawal from the alliance of Canal Plus, Bertelsmann and BSkyB which was supposed to launch as many as 100 channels of digital TV in Germany later this year.

Canal Plus is however emphatic that it will not remain in the subscription TV deal with Bertelsmann. It will in future review ventures with Bertelsmann on a case-by-case basis.

Canal Plus is still determined to be part of the move towards establishing multi-channel digital TV in Germany.

Kirch, the German media group, has announced it will launch a digital TV service in Germany at the end of July.

The imminent end of the Canal Plus-Bertelsmann agreement is another example of the German company irritating potential partners. Mr Murdoch found it too slow and bureaucratic to deal with. And on Wednesday Mr Michel Delloye, chief executive of CLT and instrumental in the CLT-Ufa merger, quit. He disapproved of the four-strong management committee being formed to run the merged venture.

ICI shares fall as broker lowers profit forecast

By Jenny Luesby in London

Imperial Chemical Industries, the UK's largest chemicals company, is heading for a fall in pre-tax profits of at least 10 per cent this year, according to the company's broker, BZW, which yesterday downgraded its forecasts for the group.

The share price, which has fallen 20 per cent in the past two months, fell a further 20p yesterday, to close at 809p.

BZW has not yet published the revised figures, but is believed to have cut its forecast for this year from £950m to £820m ($1.3bn), just days ahead of the group's interim results.

ICI reported pre-tax profits of £927m last year.

Analysts have been warning of a deteriorating outlook for the company since the beginning of the year, with many cutting their profit forecasts to £900m after the group reported first-quarter pre-tax profits of £223m.

Their main concern has been ICI's star business of last year, polyester. There have also been worries about another commodities business, titanium dioxide.

ICI's polyester business – which produces plastic films and the raw materials for textiles and plastic bottles, PTA and PET – contributed an estimated £200m to the group's profits last year, analysts believe. For the past three years, demand for PET, used to make polyester bottles, has been particularly strong, rising by between 10 and 15 per cent a year. However, this has attracted a wave of investments.

With too many companies building too many plants, prices have already begun falling as producers compete for sales.

As a result, ICI's polyester profits are likely to fall by at least £100m this year, several analysts said yesterday.

The decline may be even worse in following years. ICI forecasts that for several years demand for the polyester being produced in Europe will be 30 per cent lower than output, while in Asia, the overcapacity will be 50 per cent.

"The group is unlikely to make any profits in polyester next year and losses for several years after that," said one analyst.

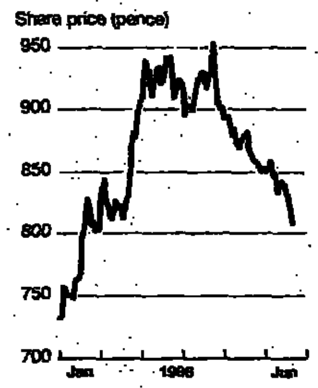
Unfortunately, polyester is not the group's only trouble spot. There is also evidence that the market for titanium dioxide, one of the main ingredients in paint, is turning against it.

Titanium dioxide accounted for an estimated £100m of ICI's profits last year. Most analysts believe this will fall by between 10 and 20 per cent this year.

The group is also suffering from factors that are industry-wide. Within Europe, the trading currency for chemicals is the D-Mark.

"The recent strengthening of the pound against the D-Mark is likely to knock an extra few million pounds from profits," said one analyst.

ICI



Source: FT Extel

Moulinex restructuring plan reflects industry's fight for efficiency

A French stall in the global market

By David Owen in Paris

Mr Jean Arthuis, the French economics and finance minister, struck a pragmatic and resigned note in responding to the sweeping restructuring plan announced this week by Moulinex. "Globalisation is imposing itself upon us," he said. "Moulinex needs to be restructured."

Moulinex, the struggling kitchen appliance group, plans to cut its workforce by 2,600, or more than 20 per cent, and to close two French factories in an effort to improve its business performance and end a run of four consecutive annual losses. Mr Pierre Blayau, the Moulinex chairman, predicted the group would fall into foreign hands if it did not make clear that it appreciated the need for changes.

But Moulinex is not alone in facing this threat. Mr Arthuis's words could be applied to French industry as a whole, large sections of which are striving to restructure to ensure their long-term survival in an increasingly competitive global marketplace.

But as suggested in the response to recent developments by his colleagues in France's nominally rightwing government, the French – with their penchant for strategic planning – are determined to put up a fight before succumbing to the cold logic of the free market.

Mr François Fillon, minister of post and telecommunications, was the first government member to come out against the Moulinex plan, calling for the ministry of work to turn down the restructuring proposals. Mr Fillon is also chairman of the general council of La Sarthe, the *département* containing one of the plants earmarked for closure.

Mr Franck Borotra, industry minister, then told the Assemblée Nationale, the French parliament, the proposals were "not acceptable in their present form". He said: "The department of industry will not abandon Normandy" – the region where many Moulinex factories are located.

It was not the first time Mr Borotra had intervened publicly in recent weeks over the future of a well-known French company. Earlier this month, he used an interview with Les Echos, the French business newspaper, to make known his views on the possible sale of a strategic stake in Valeo, the world's 17th largest automotive components group and the second-largest in France after Michelin, the tyre company.

Mr Borotra indicated he was unlikely to look kindly on the purchase of a 27.7 per cent stake in Valeo – held by Mr Carlo De Benedetti, the Italian industrialist, through Cerus, his French holding company – by either Delphi Automotive, an arm of General Motors, or Framatome, the French nuclear plant group. Little more than a week later, state-controlled Framatome ruled out buying the Valeo shares.

Mr Borotra's intervention on that occasion followed warnings by France's Renault and Peugeot-Citroën car groups that they might take their business elsewhere if Valeo fell into the hands of a rival car manufacturer or a foreign component supplier. "What worries me and other colleagues is to see one of France's big equipment makers pass into US control," Mr Jacques Calvet, head of Peugeot-Citroën subsequently explained.

In the case of Moulinex, the department of industry acknowledges it has the power only to work at the margins of Mr Blayau's plan to try to reduce its social impact in communities where affected factories are located. That may explain why the company's shares rose by 21 per cent the day after the plan was announced.

Slowly, ever so slowly, as the government's extensive privatisation programme continues and a range of other reforms takes root, a more Anglo-Saxon flavour is infiltrating the French corporate sector. But, as recent events involving Moulinex and Valeo suggest, relations between French politics and business are set to remain a touch, well, Gallic for some time to come.


Change in hand: Pierre Blayau (left), Moulinex chairman, and Jean Arthuis, finance minister

Reuters/AP

ACE lifts Tempest bid and breaks up Bermuda triangle

By Richard Waters in New York

The first takeover battle in Bermuda reinsurance was won yesterday by ACE, the diversified insurance company, which lifted its bid to $924m and gained acceptance from Tempest Reinsurance.

ACE was forced to increase its offer after IPC Holdings, a rival reinsurer, weighed in two weeks ago with an uninvited bid of its own.

Tempest's board, meeting late on Wednesday in Bermuda, voted to proceed with the ACE offer, having put an initial agreement with the company on hold while it considered the rival IPC bid.

By rejecting the IPC offer, Tempest may have delayed the pace of other mergers in the Bermuda reinsurance community, said one insurance industry expert who was close to the negotiations. Both Tempest and IPC provide cover to other insurers which want to reduce their exposure to losses from big natural disasters. A combination of the two would have created a company with equity capital of around $1bn, putting it in a far stronger position to win business.

That, in turn, would have increased the pressure on the other specialised catastrophe reinsurers to seek mergers of their own.

The merger with ACE, on the other hand, is likely to have far less impact on competitive positions in catastrophe reinsurance market. ACE, with $1.5bn of equity, provides a range of insurance products. The deal is intended to spread its risks across a wider range of areas and expand its customer base, said Mr Brian Duperreault, chairman.

IPC said it was disappointed that its own offer had been rejected, but the company is not expected to rekindle the struggle with a higher bid. The failure of its approach leaves IPC near the bottom of the pecking order among the catastrophe reinsurers, and raises the question of whether it will seek another acquisition instead. One person close to the company denied, though, that it felt under any immediate pressure to find an alternative deal.

The loss represents a partial defeat for American International Group, the big US insurer which is the biggest shareholder in IPC. However, as a 5 per cent shareholder in Tempest, the company benefitted from ACE's decision to lift the value of its bid.

Carlsberg in Coca-Cola talks

By Greg McIvor in Stockholm

Coca-Cola is negotiating with Carlsberg, the Danish brewery group, over future co-operation in Sweden and Norway after severing its ties earlier this week with Pripps Ringnes of Norway.

Carlsberg said yesterday it was discussing distribution of Coca-Cola brands in Sweden and Norway via Falcon, a Swedish brewery group in which it has a 30 per cent stake. Carlsberg has produced and distributed Coca-Cola products in Denmark since 1979.

The move is unusual for Carlsberg, whose soft drink operations have been centred on Denmark.

It follows the announcement on Wednesday that Coca-Cola is breaking a half-century collaboration with Pripps Ringnes, controlled by Orkla of Norway, due to differences over strategy.

Coca-Cola stressed yesterday its strategy for the Nordic market fitted well with Carlsberg's.

The US company is to build two production plants in Sweden and Norway and had indicated it would handle distribution itself.

However, Carlsberg has been keen to develop operations at Falcon, which has a 14 per cent share of the Swedish beer and soft drinks market. Mr Walther Paulsen, finance director, said talks were at an early stage but "if there is to be an investment in Norway and Sweden it will be quite high numbers".

While Falcon has a wide distribution network in Sweden, it lacks a presence in Norway.

Carlsberg's entry to the Swedish-Norwegian market will disappoint Pripps Ringnes, which produces and distributes Carlsberg beer in Sweden and Tuborg lager, a Carlsberg product, in Norway.

Mr Paul Bergqvist, its managing director, was not sure whether that co-operation would be jeopardised. The company, defending a 20 per cent share of the Swedish soft drinks market and 15 per cent in Norway, would focus on beer and mineral water, in which it is market leader.

Carlsberg shares rose DKr8 to DKr339 and Orkla's gained Nkr1 to NKr344.

Mr Kjetil Gronskag, head of research at Alfred Berg, the Nordic investment bank, said that despite the prospect of intensified competition, Orkla's share price stability showed that the split with Coca-Cola and Carlsberg's emergence were "not a killer" for it or Pripps Ringnes.

Renault withdraws from Formula One

By John Griffiths in London

Renault, the French vehicles group, is to quit Formula One grand prix motor racing at the end of next season – leaving the front-running Williams and Benetton teams to seek new engine suppliers.

Renault's withdrawal, which had been the subject of increasing speculation in the opening rounds of this year's championship, will end an eight-year involvement in which the French engine maker has substantially exceeded the goals it set for itself when it returned to the grand prix scene in 1989.

It has already won four constructors' championships and three drivers' championships in the period; is almost certain to capture this year's titles following Damon Hill's win in the Rothmans-Williams-Renault at Montreal last weekend; and will almost certainly start next season as a front-runner for the 1997 title.

On that basis, Renault's senior management has decided that the only likely subsequent course is down – and thus to withdraw when its current contracts with Williams and Benetton expire.

Both Williams and Benetton are understood to have been warned well in advance of Renault's intentions, and to have already begun tentative discussions with other grand prix engine suppliers.

Excluding Ferrari, the other main engine suppliers with Renault are Mercedes-Benz, currently in partnership with McLaren; Ford, whose links with the Swiss Sauber team are to be replaced next year by an all-new team – Stewart Grand Prix, controlled by former world champion Jackie Stewart; and Peugeot, linked with Jordan.

However, with BMW, Honda and possibly Porsche all reported to be studying their own returns to grand prix racing, it is impossible to predict how relations between constructors and their engine suppliers will be reforged next year.

Renault's decision to withdraw will save it some $150m a year – the acknowledged cost of designing, developing and building competitive engines for grand prix. However, Renault is by no means withdrawing from motor sport altogether. Renault Sport director Mr Patrick Faure said last night that the French motors group would announce plans for a new global motor sport strategy in the next few months.

"Renault Sport will continue to operate after 1997 as an independent unit. It will use its expertise to serve customers by developing high-performance engines," the company said last night.

Dutch player well placed for Euro 98

KPN's listing on the London Stock Exchange reflects a strategy of aggressive expansion

Mr Wim Dik, chairman and chief executive of KPN, the dominant Dutch telecommunications operator, was at the London Stock Exchange on Tuesday to celebrate the company's London listing, a move which opens an extra window for investors.

He had less to cheer about that evening. In the company of members of his senior management team he was at Wembley to see the Dutch national team humbled by England's footballers.

KPN, however, looks as if it could emerge a winner from the European telecoms tournament which opens on January 1 1998, the date set by the European Commission for the liberalisation of voice services throughout Europe.

The company combines aggression uncommon in a newly-privatised operator – the Dutch government's holding is now 45 per cent after two public offerings since 1994 – with a clear perception of the limited options open to an operator with a small home market. Last year it made $1.4bn profit before tax of revenues on about $12bn.

Mr Dik says: "We are ambitious enough, we are aggressive enough and our marketing is strong, but outside the Netherlands, we will never be an AT&T. We have to form strategic alliances so we are wherever our customers wish us to be."

KPN and Telia of Sweden, for example, took the initiative in the formation of Unisource, a Europe-wide joint venture with Swiss Telecom PTT and Telefónica of Spain. Unisource is allied with AT&T through Uniworld, a member of AT&T's WorldPartners group.

It is in competition with Concert, the joint venture formed two years ago between British Telecommunications and MCI of the US, and up against Global One, established recently by Deutsche Telekom, France Télécom and Sprint of the US. All three are chasing the business of large multinationals, and Unisource aims to capture 20 per cent of worldwide traffic by 2000.

Mr Dik says the four-year Unisource alliance is progressing well, with less cultural friction than might have been expected from four west European partners. It was more important to run Unisource as a company than to pander to national sensitivities. "If the best people to run the company are Swiss, then headquarters in Amsterdam will be filled with Swiss. Unisource should not be a kind of United Nations," he says.

KPN has its own ambitions abroad, however, and conflict must be avoided. Mr Dik explains that if KPN wished to invest abroad, it would first establish that Unisource did not have similar plans. Then it would seek a partner from the Unisource alliance – last year, for example, KPN and Swiss Telecom took a 27 per cent stake in SPT Telecom of the Czech Republic. If neither Unisource nor its partners were interested, then KPN would be prepared to go it alone.

Mr Dik said the group was pursuing a multi-faceted strategy ahead of liberalisation and full competition.

First, it was paying increased attention to cost-cutting and efficiency to counter a rapid and inevitable decline in revenues from international traffic. He did not expect, however, see large job losses: with 70,000 full-time equivalent staff, the group already has the best lines per employee ratio in Europe.

Second, as one of the few European operators to retain responsibilities for postal services, it intends to turn this into a virtue, establishing a Europe-wide postal network to take advantage of full postal liberalisation.

Third, it is looking at the new media, and owns one of the largest cable networks in the Netherlands – already one of the most intensely cabled countries in Europe, with some 94 per cent of homes passed by the network. Fourth, it is developing cellular services at home and abroad.

Mr Dik attributes the company's aggression to the fact that he and many of his senior team have a consumer, rather than a telecoms, background – he spent 24 years with Unilever, "being trained in what one means by a customer".

He says he is continually seeking acquisitions to broaden and strengthen KPN's market position. Are there target companies in the UK? "Maybe," he says with a grin.

Alan Cane

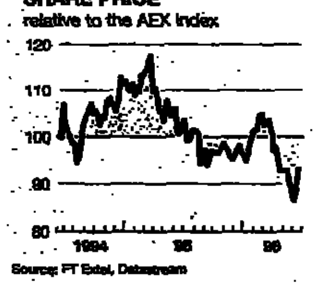
PROFILE:

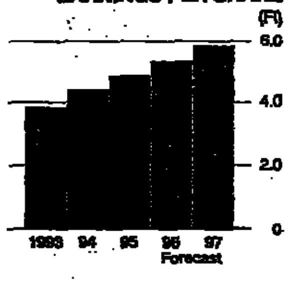
KPN

Market value: $17.6bn Main listing: Amsterdam

Historic P/E	13.27
Gross yield	4.01%
Earnings per share (1995)	Fl 4.89
Current share price	Fl 64.9

Chairman Wim Dik





Source: FT Extel, Datastream

Cir may sell shares to help reduce debt

By Andrew Hill in Milan

Cir, the Italian holding company controlled by Mr Carlo De Benedetti, is considering the sale of part of its share portfolio as one way of reducing debt.

Mr De Benedetti told yesterday's shareholders meeting the group would convert some L150bn ($98m) in tax credits into cash by the end of the year. He added that it was still possible Cir would seek a capital increase, if market conditions permitted.

Parent company debt at Cir rose to some L687bn at the end of last year after banks refused to back a L465bn rights issue which would have allowed it to maintain its 21 per cent stake in Olivetti, the computer group of which Mr De Benedetti is also chairman. Olivetti's rights issue went ahead and Cir's stake was cut to just over 15 per cent.

Cir is understood to be looking at ways to reduce its stakes in other quoted holdings, while retaining control. It owns 49 per cent of Cerus, the French holding company, and majority stakes in Sogefi, the Italian automotive components group; Sasib, the engineering and machinery company; and Espresso, the publishing group.

Mr De Benedetti pointed out that the sale of Cerus' 28 per cent stake in Valeo, the French automotive components company, would be sufficient to meet Cir's requirements.

He said Cir, which last year reported a consolidated loss of L288bn, had increased sales by 10.5 per cent in the first five months of this year, compared with the same period in 1995.

Mr De Benedetti said he also hoped to confirm that Olivetti's troubled personal computer business had broken even in the second quarter of 1996. He said after last year's rights issue he expected a turnround at Olivetti by June this year.

NEWS DIGEST

Italy doubles size of Ina bond offer

The Italian government yesterday almost doubled the size of its offering of bonds exchangeable into shares in Ina, the insurance company, because of overwhelming demand from domestic and foreign institutional investors. The increase in the offering, from an initial $1.3bn to $2.1bn, means the bonds will be exchangeable into virtually all of the government's 34.38 per cent stake in Ina. When the offering was launched on Wednesday, the bonds on offer were exchangeable into about 21 per cent of the company.

The government's decision to expand the offering helped lift Ina shares by 2.2 per cent, or L49, to L2,261 yesterday, because it rids the market of an overhang of Ina stock.

Goldman Sachs, which is arranging the offering with IMI, the Italian banking group, said the Ina offering was the biggest European equity-linked bond offering and the largest global offering after a £2.3bn convertible bond offering for Ford, the US automotive company, in 1991. The Ina offering, which should be priced today, will be followed by the final offering of the state's shares in IMI. The sale of the 6.77 per cent stake should be concluded by the end of July.

Antonia Sharpe, London

OTE climbs 15% pre-tax

OTE, Greece's state-controlled telecoms monopoly, yesterday announced a 15 per cent increase in pre-tax profits, to Dr203bn ($843m) in 1995 on turnover up 23 per cent to Dr593bn. The results matched estimates ahead of OTE's flotation on the Athens stock exchange in March.

Mr Petros Lambrou, managing director, told shareholders the company would invest Dr260bn this year on digitalising Greece's fixed-wire network, setting up a third mobile telephony system in Greece, and expanding into eastern European markets. He said a judicial investigation launched last month concerning a Dr40bn contract for digital switches awarded by OTE in 1994 "would not have much impact" on the timetable for installing 400,000 digital lines in the next year.

OTE must maintain the current pace of digitisation to meet its target of 15 per cent annual earnings growth over the next three years. Only 37 per cent of the Greek network has so far been digitalised, allowing calls to be time-charged. Mr Lambrou said OTE planned to invest Dr60bn this year through its subsidiary Hellascom International to upgrade telecoms systems in Lithuania, Ukraine, Georgia and Armenia. OTE earlier this month signed its first contract outside Greece – a Dr5.5bn deal with the Lithuanian state telecoms to install 44,000 digital switches and a 570km fibre optic cable network.

Kerin Hope, Athens

Alcatel affirms break-even aim

Alcatel Alsthom, the French electronics group, confirmed it was looking to return to break-even in 1996 after having incurred a loss of FFr25.6bn ($5bn) in 1995, including FFr24bn in provisions. Mr Serge Tchuruk, chairman, told the agm: "The most important signs for 1996 could and should be the recovery of the order book." He confirmed that FFr10bn of assets sales, announced in March, would be carried out by the end of the year.

AFX News, Paris

New Germany equity fund

BHF-Bank has joined MeesPierson of the Netherlands and BancBoston Capital of the US to set up a new fund to provide equity capital for medium-sized companies in Germany and neighbouring countries such as Austria, Switzerland and Denmark. The targets will be unlisted companies with sales of DM50m ($32.9m) or more. The fund – German Equity Partners – will take majority stakes, alone or with co-investors, and be represented on their non-executive supervisory boards.

The Dutch-registered fund, also involving several other institutional investors, will total around DM160m and acquire its shareholdings through takeovers, management buy-outs and buy-ins, restructurings or spin-offs. The average investment period is expected to be around seven years.

Andrew Fisher, Frankfurt

Hungary sets TVK price range

Hungary's privatisation agency yesterday pressed ahead with the privatisation of Tiszai Vegyi Kombinát (TVK), the country's largest chemical company, through an offering of shares to domestic and foreign investors. The offering, one of the largest share issues in Hungary and the region, reflects the strong international demand for equity investment in eastern Europe.

The government stands to raise between Ft16bn and Ft20bn ($106m-$133m) from the sale of a majority shareholding. The indicative price of TVK's shares has been set at between Ft1,150 and Ft1,500 each, which would capitalise the company at between Ft28bn and Ft36bn. The size of the offering has been set at 13.5m shares, of which 10.5m will be sold in the global institutional offering. Up to 2.4m shares will be offered to employees, and a minimum of 600,000 will be sold to Hungarian retail investors. An additional 2.1m shares will be made available through over-allotment options. TVK's global depositary receipts will be listed in London.

Antonia Sharpe

FDA approval for Akzo drug

Akzo Nobel, the Dutch chemicals group, has been given approval by the US Food and Drug Administration to market Remeron, an anti-depressant. It was approved for use in some west European countries late last year. The company said yesterday the product, developed by its Organon pharmaceutical unit, was as effective as older treatments in combating depression but with few, if any, side effects.

Gordon Cramb, Amsterdam

Unit's turnround boosts Opel

By Wolfgang Münchau in Frankfurt

Adam Opel, the German subsidiary of General Motors, yesterday reported an 18.2 per cent increase in net profits to DM363m ($238.7m) for 1995.

The figures were boosted for the first time by the company's Eisenach subsidiary in eastern Germany, Europe's most productive car plant according to Opel, which returned a profit of DM33.5m, after losing DM34m last year. Turnover of the Eisenach plant rose from DM1.7bn to nearly DM2bn.

The increase in overall profits came despite currency losses of DM322m, a reflection of the D-Mark's strength against other European currencies. Mr David Herman, chairman, said yesterday that "not least because of significant recovery of the Italian lira, we expect a better exchange rate environment".

However, Mr Herman has been cautious about new car registrations in Germany this year, which he estimates will grow by a modest 3.6 per cent to 3.44m. He said the company hoped to achieve a market share in Germany of 17 per cent this year, and 12.7 per cent in western Europe.

In the first five months of the year, the number of new Opel registrations in Germany went up 7.6 per cent to 266,000, representing a market share of 16.7 per cent. At this level, Opel remains Germany's second-largest carmaker after Volkswagen, with which it is currently engaged in a bitter legal dispute about alleged industrial espionage.

Mr Herman said the small car segment accounted for a growing percentage of sales, and also noted that replacement buyers had been more cautious.

Turnover rose only marginally last year, from DM25.6bn to DM25.9bn, reflecting sluggish economic growth in western Europe, and especially in Germany. Return on sales edged ahead from 1.2 per cent to 1.5 per cent.

Mr Herman called on the German government to step up efforts to reduce labour costs to improve investment. He said, however, Opel was committed to Germany as a production base, with DM5.5bn earmarked for investment in the country between 1996 and 1998. It will also be expanding internationally, with new factories in Argentina, Poland, Thailand and China.

Brokers' marriage a commitment to Egyptian reforms

The link-up of EFG and Hermes is a response to market growth

Egypt's small but rapidly growing banking community is today spending its Sabbath digesting the news that the country's two leading local brokerage and investment houses are merging to create Cairo's biggest merchant bank.

In an announcement to staff last night, the Egyptian Financial Group and Hermes Financial explained the merger would enable the new entity to take better advantage of the growing opportunities for investment banking in Egypt's emerging market.

"The local market has reached a point where large financial institutions are needed with real financial muscle and a wide network of local and international clients," said Mr Mohamed Taymour, chairman of the newly formed EFG-Hermes. "This merger is the fastest way to grow and with it we are well on the way to creating a solid Egyptian institution in brokerage and investment banking."

Since the Egyptian government embarked on economic reforms in 1991, backed by the International Monetary Fund and the World Bank, the country's financial services sector has grown rapidly in size and sophistication.

The government's renewed commitment to privatisation at the beginning of this year has created more demand for local expertise and placement power in managing primary issues. It has also focused increasing international attention on Cairo's stock market. During the past four years the market has grown more than threefold in terms of market capitalisation, to around $8bn; and its inclusion on the International Finance Corporation's emerging market index at the end of this year is expected to place it firmly on most international fund managers' maps.

As competitors, both EFG and Hermes played a pioneering role in the development of brokerage facilities for Cairo's stock market. Between them they account for an estimated 35 per cent of secondary trading on the bourse – the remainder is spread between around 60 small local brokerage houses. They are also the local market leaders in research and company analysis. As a result, their clients include virtually all the foreign institutional investors active in Egyptian equities, including heavyweights such as ING Barings, Robert Fleming, James Capel, Foreign & Colonial, Merrill Lynch, and Morgan Stanley.

The two companies have also played a leading role in the co-ordination and placement of the government's privatisation offerings. Together, they have been involved in nearly 75 per cent of the total public offerings made in Egypt over the past 18 months, worth about E£1bn ($294m). The two companies also manage four mutual funds – although both their asset management divisions will remain as separate operations for the time being.

The directors of the new company argue that the merger would give them the "critical mass" required to face future competition in the local market as foreign banks seek investment banking opportunities in Egypt.

Last week, a new law was passed which removed restrictions on foreign banks owning majority stakes in their local joint ventures. As a result, banks such as the HSBC group and Barclays are looking to expand the services offered in Cairo. HSBC's James Capel already plans to open a local investment bank and brokerage firm through the group's joint venture Egyptian British Bank.

"For the past three years we've been banging each other's heads together competing for every new deal that came along. As more competition comes into the market, we need to be able to deal with it effectively," said Mr Ali Tahry of Hermes, who will be managing director of the new entity's brokerage division.

The new company will have a combined staff of 130. In the short term, it plans to begin opening a branch network of retail outlets outside Cairo and, in the medium term, gradually expand its regional presence. In the next five years directors hope to hire a competitor to manage the merged broker's own initial public offering.

James Whittington

CSI results vindicate steel shake-up

By Tom Burns in Madrid

The long and costly restructuring of Spain's steel industry appears to have been vindicated by the pre-tax profits of Pta29.1bn ($226.87m) for 1995 on sales of Pta357.7m announced yesterday by CSI Corporación Siderúrgica, the state-owned steel group launched last year.

CSI, which incorporated the profitable business units of the integrated steel companies in the public sector, will now become a candidate for privatisation under the far-reaching disposal plans of the new centre-right government.

In the mid-1980s, the government ploughed Pta750bn into the steel sector but failed to stem losses in the two dominant producers on the Cantabrian coast – the Bilbao-based Altos Hornos de Vizcaya and the Ensidesa complex near Avilés. A second rationalisation, agreed with the European Union in 1993, put aside Pta667m to wind up obsolete production lines at both plants and create CSI.

CSI chairman Mr José Manuel García Hermoso said the company had the benefit of a strong balance sheet.

El Paso buy boosts US gas consolidation

By Christopher Parkes in Los Angeles

Consolidation of the US natural gas industry will take another leap forward on completion of El Paso Energy's planned $4bn acquisition of Tenneco Energy, announced this week.

Coming soon after gas deals linking Mobil with PanEnergy, and Chevron with NGC, the takeover will transform two regional businesses into a single national pipeline and marketing group.

El Paso, hitherto confined to supplying Texas and the south-west, will now extend its reach into densely populated mid-western and north-eastern regions, and account for 12 per cent of US natural gas sales.

Its pipelines, leased to other gas distributors, will carry an estimated 20 per cent of national supplies.

The two networks had combined sales of almost $3bn last year and returned $545m in aggregate operating profits.

The deal, under which Texas-based El Paso will swap $1bn in stock and assume $3bn of debt, will also free Tenneco of its last substantial energy interests.

Plans to sell or spin off the gas operations were announced in March by the company, which has chosen to focus its interests in automotive components and packaging. The next step is the planned spin-off of a shipbuilding business.

El Paso's acquisition puts it within striking distance of Enron, the leading US gas supplier, which controls about 17 per cent of the market. It also puts it on a par with other competitors which have acted recently to add muscle in anticipation of sharpened national competition.

Chevron Oil said in January it planned to merge its gas and electricity operations with those of NGC, part-owned by British Gas. The announcement was followed within weeks by news that Mobil was to become a 40 per cent partner in a joint venture pooling its gas and pipeline activities with those of PanEnergy.

One of the catalysts for this process is deregulation of the electricity industry. Enron, which has emerged as leader not only in natural gas marketing but as the principal driver of a trend towards the formation of national integrated power groups, plans to sell gas and electricity nationwide using the telemarketing techniques developed by telephone companies such as AT&T.

The Houston-based group had revenues of $9.2bn last year, and is rated as the largest of the emergent post-regulation electricity wholesalers.

Tenneco and Arvin take different roads to growth

The US car parts groups seek to strengthen their positions in a global industry, says Haig Simonian

In the world of car components, Maremont and Monroe are to mufflers and shock absorbers what Coca-Cola and Kellogg are to soft drinks and cereals.

Maremont belongs to Arvin Industries, an independent US components specialist, while Monroe is owned by Tenneco Automotive, the car parts subsidiary of the US industrial and energy group.

However, rather than being complementary, Arvin and Tenneco are direct competitors: Arvin's main rival in exhausts is Tenneco's Walker brand, while Monroe battles it out on the shelves with Arvin's own shock absorbers.

Competition in exhausts and suspension systems has grown so intense that the two groups even issue competing data about their market shares. According to Mr Richard Snell of Tenneco Automotive, the company he runs makes one in four of the world's mufflers and shock absorbers. To hear Mr James Baker, vice-chairman of Arvin, tell it, however, his company is indisputably ahead.

Either way, the two are the world leaders in their sector and in the top division of the increasingly concentrated world car parts industry. Tenneco Automotive expects sales to reach about $2.8bn this year: Arvin is forecasting $2.25bn, but says this excludes non-consolidated revenues from joint ventures.

Such dominance makes the two companies perfect proxies for the wider trends in the components sector, where the number of participants has been declining through acquisitions and economies of scale.

Both have reached their current positions through aggressive takeovers and rapid geographic growth. Tenneco has extended beyond its US roots by buying, in quick succession, Gillet, Germany's biggest exhaust group, and Manufacturas Fonos, its opposite number in Spain. This year, sales in Europe should beat those in the US for the first time, Mr Snell says.

Arvin, which concentrated on exhausts until a decade ago, has also flashed its chequebook. It diversified into shock absorbers by buying Maremont, a leading US brand, in 1986. The biggest geographic push came two years later, when it bought the European exhaust business of the UK's TI group.

Both companies have also followed their customers as carmakers have become more global. Tenneco has just signed a joint venture to make suspension systems for Volkswagen and others in China. It is also in the throes of buying a leading Argentinian suspension maker and is building a new factory in Brazil. Arvin, meanwhile, has set up joint ventures with Kayaba and Sango, Japan's leading shock absorber and exhaust producers, to develop manufacturing expertise and expand its customer base.

But takeovers and organic growth have not been the only factors behind the companies' earnings growth. Both have also been active in the components sector's wider move towards towards higher-value-added products as carmakers seek to devolve more responsibilities to their suppliers.

Both Tenneco and Arvin now make entire "corners" of vehicles for their customers. That means supplying not only individual parts, such as shock absorbers or suspension struts, but entire assemblies, including axles and brakes from third parties.

To date, Chrysler has taken the lead among carmakers in seeking such expanded services from suppliers to cut its overall manufacturing costs. Two Chrysler plants now take complete suspension systems from Tenneco, while another buys entire "corners".

But for all their similarities, the two companies differ significantly over how they see the future of their businesses and how to position themselves appropriately.

Mr Baker says Arvin's acquisition phase is now largely complete. "The investment phase is over. We have secured our market position worldwide".

Brendan Corr

Richard Snell: wants stronger position in the after-market

By contrast, Mr Snell says Tenneco still wants to fill out its coverage in Italy and in east and central Europe. This week, Tenneco offered $300m for the US group Pullman, which makes vibration control components, trumping a $226m offer from Mayflower, a UK engineering company. The move is part of a strategy of expanding Tenneco's existing businesses. That could involve either parts fitted as "original equipment" by carmakers, or components for garages and mechanics in the automotive "after market". Mr Snell's eye is on complementary products, such as brakes or axles, which could strengthen Tenneco's position as a "systems integrator", making more complex automotive assemblies for fitting as original equipment.

He also likes the idea of strengthening Tenneco's position in the after market. Mr Snell was one of the underbidders in the auction for Gates, the US rubber components group bought by Tomkins of the UK. Getting Gates would have given Tenneco the potential to cross-market complementary products for the after market. "It would have made us like the Procter & Gamble of the after market business," he says.

Mr Snell will have to move quickly, given the pace of consolidation in the components sector. He may have already missed the boat in brakes. In recent months, two leading names – the Bendix division of Allied Signal and Varity's Kelsey-Hayes brakes subsidiary – have teamed up with other suitors.

Such concentration is one of the reasons why Mr Baker says Arvin will stick to its knitting. He argues there is still considerable scope to raise margins in exhausts and suspensions as the technology stakes rise, carmakers outsource more of their requirements and also turn more to sub-assemblies.

He also reckons the market for the most important parts has already been through the same rationalisation as that brokered by Arvin and Tenneco in shock absorbers and exhausts. "We feel there's a lot of opportunity in these two product lines and we'll prove that," he says.

Bank of America to close units in Europe

By George Graham, Banking Correspondent

Bank of America, the San Francisco-based banking group, is to close its capital markets trading operations in France and Germany.

The move marks the first results of a wide-ranging review of the group's wholesale business in Europe, the Middle East and Africa.

The review is part of a drive by Mr David Coulter, the bank's new chairman, to improve shareholder value.

European wholesale banking is one of three divisions targeted by a consultancy that has been hired to develop a model for measuring the profitability of each business segment.

Marakon Associates, based in Stamford, Connecticut, is expected to produce final results of the review in December, but Bank of America has already decided it can move market-making and book-running activities from Frankfurt and Paris to London, while maintaining capital markets sales activities in those countries.

The European wholesale division is one of about 20 business units which does not meet internal targets for return on capital. The bank measures the return on what it calls "economic capital", an internal risk-adjusted measure which comes out $4bn-$5bn lower than its $20bn published equity base.

The Marakon model will provide a numerical basis to decide which divisions are underperforming and which should be dropped or cut. "It basically leaves no room to hide," said Mr David Blatchford, head of capital markets at Bank of America in London.

The consultants will also examine Bank of America's finance division and a specialised unit which finances purchases of manufactured housing – prefabricated houses a step up from trailer homes.

That division has an estimated market share of 30 per cent, and the bank believes it could be worth as much as $2bn if valued on the same basis as its only significant rival, Green Tree Financial.

The review is expected to be extended later to other divisions, reflecting the strong concern with improving shareholder value that Mr Coulter brought when he became chairman in January.

NEWS DIGEST

Navistar cuts 3,000 jobs as demand falls

Navistar International, the biggest truck assembler in the US, said it would cut 3,000 of the 5,000 jobs at its Springfield, Ohio truck factory over the next three years, and relocate its heavy truck production. The move will result in an as-yet unspecified charge to earnings. The announcement has already raised suspicions by the United Autoworkers Union that Navistar is preparing to move some of its assembly operations to Mexico. However, Navistar denied this. "There are no plans to move the assembly operations to Mexico from our US base," it said.

The fresh wave of cost-cutting at Navistar comes as heavy truck demand in the US declines after a two-year surge. During 1994 and 1995 Navistar added workers to meet expanding demand, but only after getting labour union agreement that the new hires could be dismissed if the market turned down. Heavy truck demand in the US is expected to drop 24 per cent this year, after the industry sold a record 228,000 units in 1995. Medium truck demand is projected to drop a more moderate 8 per cent, from 121,500 units sold last year.

Because of its size and cost structure, Navistar has been one of the first US truck assemblers to feel the pinch. In the first half of this fiscal year, sales dipped 5 per cent, and net income tumbled to $48m, from $69m in the first six months of 1995. Navistar's chairman, Mr John Horne, said at the time that Navistar's profits were suffering both from lower truck demand and from pricing pressure "brought on by competitors looking to increase market share in a downcycle", and promised to cut further the company's operating costs.

Talk of a move to Mexico has been stimulated by Navistar's recent shift away from its 30-year partnership with Dina Camiones and its new interest in serving the Mexican truck market under its own logo. Last February Navistar signed up a network of Mexican dealers to distribute its products directly, and also contracted with Trailers de Monterrey to assemble medium and heavy trucks in Mexico under Navistar's International nameplate.

Navistar acknowledged that it might consider constructing its own assembly plant in Mexico, but said that if that happened, the factory would serve only the Mexican market, and would not be intended for exports to the US. The company cautioned that the redundancies and associated restructuring at its Ohio factories were still subject to negotiation with the United Autoworkers Union. *Laurie Morse, Chicago*

Lehman Brothers ahead strongly

Lehman Brothers continued to benefit from the buoyant US financial markets in the second quarter of its financial year, reporting after-tax profits of $108m, up from $58m a year ago. Earnings per share were 89 cents, compared with 43 cents. At 13.4 per cent, however, the US investment bank's return on equity for the period remained well below the level of its main Wall Street rivals, reflecting its higher cost base. The bank refused to comment yesterday on a report that it had approached other Wall Street houses last year to discuss a merger, a move that could have enabled it to make greater headway into lifting its profitability.

Lehman's latest figures, for the three months to 31 May, reflect in part its continuing efforts to hold down costs. Its net revenues grew 14 per cent from a year before, to $833m, the same rate of growth as its compensation expenses. However, other non-interest costs fell 10 per cent. The revenue growth was led by a 47 per cent increase in investment banking fees to $223m, a result of the high level of new issue activity in the bond and stock markets. Trading remained the biggest single source of revenue, contributing $398m, up 12 per cent from a year before. *Richard Waters, New York*

PanCanadian plans investments

PanCanadian Petroleum, the energy arm of Canadian Pacific, will use a C$385m (US$282m) gain from the sale of its interest in the Syncrude oilsands producer to finance an international upstream acquisition or invest in a large development project, said Mr David Tuer, president.

PanCanadian's capital spending this year would total C$865m, with 90 per cent of this going to expand exploration and production of oil and gas in Canada and 10 per cent overseas. Mr Tuer said cashflow this year would top C$900m and net profit will be about C$300m or C$2.40 a share, up from C$228m or C$1.82 a share in 1995. *Robert Gibbens, Montreal*

Electricidad de Caracas upbeat

Electricidad de Caracas, the Venezuelan utility company, expects a profit for the second quarter as a result of cost-cutting measures. These were implemented to compensate for the short-fall of electricity rate increases in covering accumulated cost increases of 100 per cent.

Elecar's chief financial officer, Mr Henrique Fernandez, said the company had frozen 1996 investments worth Bs37bn ($78.5m) as well as personnel hiring and training. The company had posted first quarter losses of Bs13.7bn as a result of currency losses. Based on current performance, Mr Fernandez added that he did not expect any dividends for this year. *Raymond Colitt, Caracas*

National Semiconductor to spin off part of chip business

By Louise Kehoe in San Francisco

National Semiconductor of the US plans to spin off older "commodity" portions of its chip business into an independent unit, to be called Fairchild Semiconductor.

National has engaged investment bankers to put a value on the new unit and seek outside investors. Outright sale of the unit is "one of several options", National said.

Fairchild Semiconductor will comprise National's standard logic, memory and discrete semiconductor components businesses. In the most recent quarter these product lines represented about 25 per cent of National's sales, or about $153m, and were profitable as a group, the company said.

The new Fairchild Semiconductor is named after Silicon Valley's first chip manufacturer. The original Fairchild, now defunct, made simple logic chips. Spin-offs from Fairchild included National Semiconductor and Intel, now the world's largest chip maker.

Mr Brian Halla, National's recently-appointed chairman and chief executive, said the new structure "will unlock the value inherent in all the product lines of both companies by allowing both to be managed for optimum success".

Over the past two years National has been refocusing its business on proprietary analog and "mixed signal" (digital and analog) products specifically designed for telecommunications, personal computer and automotive applications.

In contrast, the logic, memory and discrete product lines are standard chips used in a wide variety of applications and manufactured using more mature technology.

National said it would take a one-off charge of $280m-$320m in the current quarter, resulting in an after-tax charge of $1.58-$1.79 a share. The charges suggest that National does not expect to be able to sell the new unit for its full market value.

The move is, however, expected to improve National's financial performance. The company reported net income for the year ended May 26 of $185m, or $1.34 a share, compared with $264.2, or $1.92, in 1995. Revenues for 1996 grew from $2.4bn to $2.6bn.

National shares were trading at $16¾ in mid-session yesterday, up 6 per cent from Wednesday's close of $15⅝.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.06.96: Pool purchase price £/MWh	Final Prices for Trading on 14.06.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.98	8.95	10.07
0100	8.91	8.95	10.07
0130	8.90	8.95	10.07
0200	8.90	8.95	10.07
0230	8.90	8.95	10.07
0300	8.90	8.95	10.07
0330	8.90	8.95	10.07
0400	8.90	8.95	10.07
0430	8.90	8.95	10.07
0500	8.90	8.95	10.07
0530	8.91	8.96	8.98
0600	8.91	8.98	8.98
0630	8.94	11.98	13.10
0700	16.09	16.31	17.44
0730	17.35	17.05	18.20
0800	19.07	18.78	20.12
0830	20.03	19.39	20.89
0900	21.56	44.42	48.11
0930	40.82	44.58	48.30
1000	41.85	44.54	46.25
1030	42.65	44.28	46.92
1100	43.42	25.94	27.55
1130	44.87	25.96	27.58
1200	45.17	25.93	27.53
1230	43.51	19.53	21.03
1300	40.56	19.01	20.97
1330	20.50	18.48	19.70
1400	19.26	18.29	19.46
1430	18.58	17.96	19.10
1500	18.38	17.94	19.07
1530	18.25	17.92	19.05
1600	17.56	17.08	18.21
1630	18.14	17.08	18.21
1700	18.46	17.09	18.22
1730	27.51	17.08	18.21
1800	29.75	17.01	18.13
1830	29.56	17.00	18.12
1900	17.31	17.00	18.12
1930	16.82	16.96	18.09
2000	16.82	16.96	18.09
2030	16.82	15.96	17.08
2100	16.72	15.96	17.08
2130	16.59	18.31	19.44
2200	23.84	18.31	13.44
2230	23.84	18.31	19.44
2300	20.84	18.31	19.44
2330	16.59	12.50	13.82
2400	12.28	8.94	10.06

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.60/MWh becomes 1.86p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) [illegible] final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 946 6789 between 8.30am and 5.15pm Monday to Friday.

KDB may tap Australian bond market

By Nikki Tait in Sydney

The Korea Development Bank, the large government-owned institution, is considering making a A$250m (US$197m) bond issue on the Australian capital markets next month.

If the issue goes ahead, it will be the first time an Asia-based sovereign agency has borrowed through the Australian bond market, and could prove a significant step in Australia's effort to establish itself as an important financial centre within the Asia-Pacific region.

The deal was taken to the KDB by Commonwealth Bank of Australia, the commercial bank which is in the final stages of full privatisation.

Mr Wayne Hoy, chief manager of CBA's financial markets division, said that CBA had approached several other potential borrowers in the region, but declined to comment on these.

CBA argues that the sharp growth in pension fund money in Australia – a trend which is expected to accelerate over the next few years – means there is pent-up demand for investment grade securities from local fund managers.

Superannuation funds stand at about A$200bn, compared with less than A$100bn in 1988 and about A$30bn in 1983.

"The Australian market is not generating sufficient supply to satisfy the demand for debt from local institutional investors," said Mr Hoy yesterday.

He said he expected the "big" institutional investors to take-up about three-quarters of the issue, and a mixture of banks and smaller fund management group or industry funds to absorb the remainder.

The bonds will also be free of Australian withholding tax, making them of potential interest to foreign investors.

To date, KDB has tended to raise international funds through Hong Kong or Japan although it has also made US dollar-denominated global bond offerings recently.

Mr Kyung-Chae Jung, KDB's deputy general manager for international finance, said an Australian issue "would allow the bank to broaden the geographic spread of its funding base".

Pricing for the issue has not yet been finalised.

State Bank of India posts 16% advance

By Kunal Bose in Calcutta

State Bank of India, the country's biggest commercial bank, yesterday announced a strong increase in profits in the 12 months to end-March after benefiting from an improvement in the yield on advances and a healthy growth in non-interest income.

Profits for the year were ahead 16 per cent from Rs7.16bn to Rs8.32bn ($238m). Earnings per share grew by 16.3 per cent to Rs17.54 and the bank is pegging the dividend at Rs3.5 a share.

Mr P.G. Kakodkar, chairman, said the strong growth in net profits was achieved "after providing as much as Rs9.16bn for investment depreciation".

Interest income grew by 22 per cent to Rs129.58bn, while interest expenditure rose to Rs82.28bn, against Rs66.88bn a year earlier. The interest spread was 4.64 per cent.

Non-interest income jumped 36 per cent from Rs20.22bn last time to Rs27.57bn.

The bank said the average return on assets improved from 0.563 per cent to 0.598 per cent. The expenses ratio, which relates operating expenses to net interest income, was down from 64.9 per cent to 59.5 per cent.

The capital adequacy ratio fell from 12.77 per cent a year earlier to 11.6 per cent, because of its Rs6bn investment in subsidiaries and the rise in assets. Net non-performing assets fell from 10.95 per cent to 8 per cent.

SBI's domestic deposits grew by 12.3 per cent to Rs901.45bn, giving it a 20.5 per cent share of the country's total bank deposits.

It added that through its newly-created wholly-owned subsidiary SBI Gilts, it would be "further developing the debt market in India".

The bank is planning an offering of Global Depositary Receipts in the current year. The issue will be for $250m-$500m, depending on the demand for SBI paper and the premium available.

Borrowing rules relaxed, Page 22

NEWS DIGEST

Rescuers chosen for Malaysia steelmaker

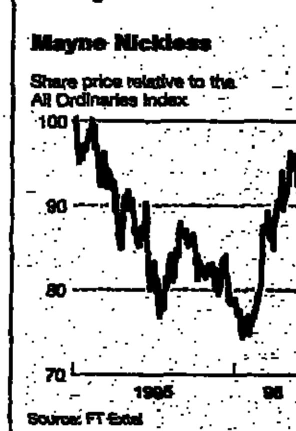
Malaysia has chosen two companies to rescue Perwaja Terengganu, the national steelmaker which was declared insolvent last month with total debts of nearly M$7bn (US$2.8bn). Mr Anwar Ibrahim, deputy prime minister and finance minister, said Maju Holdings, a diversified property and steel company, would take a 51 per cent stake in the steelmaker. The Lion Group, a conglomerate with large steel interests, will hold a 30 per cent stake. The remaining 19 per cent will stay in government hands.

It was not disclosed if the two companies would have to purchase their stakes in Perwaja or would merely agree to take over some of the steelmaker's debts. Two other conglomerates, Wing Tiek Holdings and Renong, also made bids. The audit which pronounced Perwaja insolvent also uncovered several financial irregularities which took place during the tenure of Mr Eric Chia, the company's former managing director who resigned last August.

Malaysia's Anti-Corruption Agency this week opened a probe in Hong Kong on Perwaja's alleged irregularities in the colony.

James Kynge, Singapore

Mayne Nickless sale deadline



Mayne Nickless, the Australian transport, security and healthcare group, yesterday set a deadline of June 30 for would-be buyers to express interest in its 24.98 per cent shareholding in Optus Communications, the Australian telecommunications group. If an acceptable offer is not forthcoming, Mayne reconfirmed it planned to sell the holding when a stock market flotation of shares in Optus takes place later this year. The float is expected value Optus at more than A$4bn (US$3.15bn), suggesting that Mayne could receive about A$1bn for its stake. Mayne said that when the deadline had passed, it would consult other Optus shareholders to determine whether a dual trade sale and float strategy was still appropriate. Shareholders in Optus include Cable and Wireless of the UK and BellSouth of the US.

Nikki Tait, Sydney

Cost cuts help Tata cement unit

Associated Cement Companies, the largest of India's cement and refractory manufacturers, was boosted by improved cement prices and cost-cutting. The company, part of the Tata group, lifted operating profits by 60.08 per cent to Rs4.33bn ($124m). Turnover was ahead from Rs21.22bn to Rs24.14bn. Net profits jumped 58 per cent to Rs2.27bn, even though tax claimed Rs565m, against Rs50m, and interest costs rose nearly 20 per cent to Rs980m.

Earnings per share advanced from Rs180.12 to Rs267.50 and a final dividend of Rs30 is recommended, making a total for the year of Rs60, against Rs50. There is also a special 60th-anniversary dividend of Rs10 a share. The company is making a 3-for-5 bonus issue.

Cement production was up 5.55 per cent to 8.93m tonnes while sales of refractories rose 37 per cent to a record Rs1.52bn.

Kunal Bose, Calcutta

Air NZ closer to approval for Ansett deal

By Nikki Tait

Air New Zealand's proposed purchase of a 50 per cent stake in Australia's Ansett Airlines cleared another hurdle yesterday, when the Australian Competition and Consumer Commission, the country's main competition watchdog, said it would not intervene in the deal.

Air New Zealand is buying the stake from Australia's TNT group.

"The ACCC noted the move towards the creation of a single aviation market for Australia and New Zealand and took account of this when reaching its decision," Professor Allan Fels, the commission's chairman, said in a statement.

The relatively smooth passage through the commission comes after Air New Zealand has spent months trying to ameliorate concerns by the New Zealand competition authorities that the deal was anti-competitive.

The NZ authorities, however, were worried it would gain control of Ansett's New Zealand operations, which provide the only significant competition to Air New Zealand in the domestic market.

Eventually, it was agreed Ansett NZ could be sold to Mr Rupert Murdoch's News Corporation, which owns the other 50 per cent of Ansett to overcome the competition problem.

Air New Zealand still needs approval from Australia's Foreign Investment Review Board before the deal can be completed.

Tokyo-Mitsubishi's bad loans show accounts standards gap

By Emiko Terazono in Tokyo

Bank of Tokyo-Mitsubishi, Japan's largest bank, has disclosed that its bad loans calculated by US accounting standards are 22.3 per cent higher than the amount announced in Japan.

The bank, created last April by the merger of Bank of Tokyo and Mitsubishi Bank, is the only Japanese bank listed on the New York Stock Exchange, where it is required to file accounts to conform with US Securities and Exchange Commission criteria.

It reported consolidated bad loans of Y1,721.1bn ($15.9bn) for the year ended March 31, compared with Y1,406.9bn in its Japanese accounts.

The difference in total bad loans stemmed from the wider definition of restructured loans – on which interest payments are reduced to keep borrowers afloat – in the US. Under SEC rules, loans whose rates are renegotiated are defined as restructured, while the Japanese rules include only loans with interest rates reduced to below the official discount rate – currently 0.5 per cent.

Under SEC rules, the bank reported Y859.8bn in restructured loans, against a total of Y424.4bn in the Japanese accounts for the parent company. It does not release consolidated restructured loans in its Japanese accounts.

In spite of the difference in the US and Japanese figures, banking analysts said the gap between the bad loan figure under US and Japanese standards was narrowing, reflecting an improvement in Japanese disclosure rules.

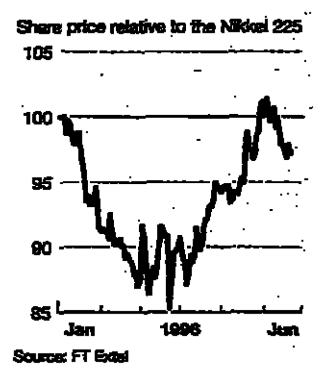
Japanese banks did not report restructured loan figures until 1995, and Mitsubishi Bank's non-performing loans figure under US rules in 1994 was almost double that disclosed in Japan.

In their Japanese accounts this year, the banks revealed loans to clients receiving bank support, and loans to borrowers undertaking restructuring with the help of creditors. "The figures do reveal that Japan is gradually approaching western standards in terms of its bad loan disclosure," said Mr David Marshall, a director at IBCA, the bank credit rating agency.

Under SEC rules, income before tax for the year to last March jumped 69.5 per cent to Y93.2bn while net income fell 19.6 per cent to Y28.5bn.

For the year to next March the bank forecasts income before tax will rise 18 per cent to Y110bn and net income by 57.9 per cent to Y45bn. Bad loan write-offs will, however, continue to affect earnings.

Lex, Page 14



Thai power authority approves spin-offs

By Ted Bardacke in Bangkok

The board of directors of the state-owned Electricity Generating Authority of Thailand (Egat) has approved plans to privatise more than 15,000MW of its generating capacity by spinning off three new business units that will each control a group of power plants.

Egat is likely to retain a majority stake in the three new units but will seek stock market listings for them.

It will hope to duplicate the success of Egco, the power generator, of which Egat sold a portion in 1994 as a pilot project.

Share prices in Egco are trading at about twice the company's net present value, but have slipped nearly 10 per cent in recent weeks as investors prepare for alternatives within Thailand's electricity sector, where demand is growing at 11 per cent a year.

Nevertheless, Egat officials indicated the first new listing was still at least a year away.

The aim is for each new unit to be centred on one of three large power stations. The Bangpakong Group will control several fuel oil, natural gas and combined cycle plants in the Bangkok area, including the 3,700MW Bangpakong complex.

The main holding of the Mae Moh Group will be a 2,625MW lignite-fired plant in northern Thailand, along with three smaller plants at the Sai Noi complex near Bangkok.

The Ratchaburi Group will own the 4,600MW Ratchaburi plant, which is still being built. It will be fuelled by natural gas delivered from Burma through controversial pipelines, which are also still under construction.

Both Mae Moh Group and Ratchaburi Group may be difficult for Egat to sell, given the environmental concerns over lignite use – emissions from the Mae Moh plant have been deemed responsible for widespread illnesses at villages near the plant – while gas supply from Burma is still untested.

Nevertheless, analysts said that, given the high premiums investors have been willing to pay for Egco, they are likely to be interested in these new companies when they list.

"The important thing is that these companies won't just be a bundle of power stations like Egco is," said Mr Neil Semple, an infrastructure analyst as the brokerage HG Asia.

"They will be allowed to undertake projects already allocated by Egat. That means they will have certain growth already pencilled in."

Scots win bid for Southern Water

By Simon Holberton

The three week battle for control of Southern Water ended abruptly yesterday when Scottish Power unveiled an improved £1.67bn cash offer, prompting Southern Electric to concede victory to its rival.

Scottish Power's victory – its second successful hostile bid for a utility in a year – enhanced its reputation as a tough player of the takeover game, although some City analysts wondered if the company's £10.50 a share bid was too high.

The improved offer was 74p more than Southern Electric's cash offer and represented a premium of 54.2 per cent over Southern Water's share price immediately before Scottish Power's original bid was launched on May 28.

It was also innovative. The Takeover Panel approved a provision to go 50p higher in the event the offer was bettered. This allowed Scottish Power to make an indicative bid of £11 while putting only £10.50 on the table.

Hours after Scottish Power posted its offer, Southern Electric surprised the City by quitting the fray.

Mr Jim Forbes, chief operating officer of Southern Electric, said the company had a price it was prepared to pay and would not go higher. "Good luck to them," he said. "They have to produce it now."

Scottish Power directors were to meet their counterparts at Southern Water today and expected a recommendation from the water company to its shareholders to accept the Scottish bid.

Mr Ian Robinson, chief executive of Scottish Power, said the combination of Scottish Power's existing businesses with Southern Water would create a company with a customer base of 5m.

Scottish Power will post its offer document by next Tuesday and may elect a "bullet offer" which would take just 21 days rather than the normal 60 days under the takeover code.

However, underlining the City's lingering ambivalence towards the bid, one utilities analyst noted that the Scots were paying "a fairly full price" for Southern Water. Another said he doubted if the bid would create as much value for shareholders as a programme of buying back the company's shares.

Ian Robinson: combining with Southern Water would create a company with 5m customers

Brendan Corr

The failure of Southern Electric to consummate its bid has raised questions about what it does next. Mr Forbes said the company would consider the best way of returning cash to shareholders – either through a special dividend, or buying back the company's shares. He also indicated that the company had not exhausted the list of possible takeover targets. Analysts said they thought Wessex Water was the favoured target.

National Grid sale lifts N Electric

By Jane Martinson

Pre-tax profits at Northern Electric, the regional electricity company which fought off a takeover bid last year, increased from £140.7m ($215.37m) to £150.8m in the year to March 31, flattered by a £33.6m gain from the National Grid demerger and the sale of First Hydro, a pumped storage business.

The 1995 figure includes an £11.5m charge related to the group's defence against Trafalgar House. The shares closed up 10p at 550p.

The group managed to beat its own debt expectations announced when it unveiled a package of benefits for shareholders worth an estimated £500m last year.

With net debt of £204.7m, gearing stood at 75 per cent at the year-end, below expectations of closer to 100 per cent. The earlier than looked for gain of the First Hydro sale and a slight delay in paying the customer rebate had helped cash flow.

Mr Morris said that a final decision on the payment of a further special dividend of 56.5p a share, to cost £55m, was to be taken at a special shareholder meeting in January. The impact of a change in government could not be assessed until then, he said, but the expectation was that the payment would be made.

The group has also promised dividend growth of 7 per cent after inflation until the year 2000. Yesterday, a final dividend of 27.9p, made a total of 39.9p, up 7 per cent.

Total sales fell to £902m (£1.08bn) after the impact of the review and the loss of a number of large customers in the supply business.

Operating profits plunged to £56m (£136m), affected by a restructuring charge of about £13.5m chiefly to pay for 400 redundancies. However, these were offset by a £12.5m gain made from a reduction in controllable costs.

Mr Morris said the group's ambitions on supply in the deregulated market were "modest". "We believe it's possible to gain some customers outside our region but not going to take a high profile, very expensive route to get them."

Premier Farnell echoes fears of downturn

By Chris Tighe and Christopher Price

Premier Farnell yesterday joined a growing list of electronic component distributors to warn of a slowdown in their volume distribution business.

Mr Howard Poulson, chief executive, said the downturn underlined the importance of the company's controversial £1.8bn ($2.75bn) takeover of Premier Industrial Corporation earlier this year. This had greatly increased the group's catalogue distribution business while lessening its reliance on the volume side.

His remarks came after the annual meeting where Mr Richard Hanwell, the chairman, announced he would be stepping down at the end of the year.

Mr Hanwell denied his retirement was in response to shareholder pressure. There has been speculation that institutional shareholders, who initially questioned the wisdom of the Premier acquisition, had been pressing the group to seek a more high-profile chairman.

"It was my decision and mine alone," he said after the meeting. Mr Hanwell, 54, said he had wanted to retire at 50.

He told shareholders it was unlikely that trading conditions in the volume distribution business would improve this calendar year.

Mr Hanwell said that the group had "experienced some slowdown in growth in certain European economies," and the volume business "has felt the effects of the greater availability and lower prices of semi-conductors," as a result.

Shares in Pace soar in first trading

By Christopher Price

Pace Micro Technology, maker of digital satellite TV receivers, saw its shares soar on the first day of trading yesterday as investors put a price of more than double the £200m ($306m) that company advisers had aimed for just two months ago.

The sale of shares representing 55 per cent of the company was five times subscribed. This helped to lift their value from 172p at the start of trade yesterday to 199p, valuing the company at £426m.

When Panmure Gordon and BZW, the company's advisers, were planning the float in April they estimated the company would be valued in excess of £200m.

The market's enthusiasm for Pace has been driven by the company's involvement in digital television amid recent publicity given to the advent of the new medium.

Pace is also the latest in a series of new issues to be over-subscribed and to achieve a higher than expected price. Hotel companies Jarvis Hotels and Millennium & Copthorne and retailer Harvey Nicholls are among recent flotations to have received premium ratings from investors.

At the flotation price of 172p, shares in the company were on an exit price earnings multiple of 28.7 times.

The shares opened at 205p and at one stage were trading at 239p, before trailing back to close at 199p.

Panmure Gordon denied that the issue had been under-priced. The sale had been undertaken through an international book-building exercise in which institutions make bids for how much stock they require and at what price. "It is the institutions that decided the price," said Panmure.

Pace also announced its results yesterday, which showed pre-tax profits doubled at £18.1m. Analysts are forecasting an increase of around 40 per cent in profits for the coming year to £26m.

Pace is the largest volume manufacturer of satellite receivers in Europe and sells more than 50 products to more than 60 countries.

LEX COMMENT

Pace Micro

Signs of froth are beginning to appear in the new issue market. The latest example is provided by Pace, a manufacturer of television "set-top" boxes for receiving digital TV signals, whose flotation got off to a cracking start yesterday. At the 199p closing price, Pace is trading at a multiple of 32 times historic earnings. The £427m market capitalisation is about double what the company was expecting only two months ago.

There is some logic to the enthusiasm for Pace: digital pay-TV is exploding worldwide and, in order to receive such services, viewers need to buy set-top boxes. Pace has already supplied 250,000 digital boxes which, it claims, makes it the biggest manufacturer outside the US. This early lead, in a market which is just taking off, has boosted sales and profits. Pre-tax profits, only £3.4m in the year to end-May 1995, are estimated to have increased five-fold to £18.1m in the latest financial year.

Even so, there are clouds on the horizon. Pace's fat profits – a return on capital in excess of 50 per cent – are a result of being an early supplier of digital boxes. But it does not own proprietary technology that will keep rivals out of the market; nor does it have a powerful brand name.

Over time, such competitors as Nokia, Philips and Sony will probably build up their presence in the market and digital set-top boxes will become a cut-throat commodity like most other consumer electronics products.

Pace may just be able to stay ahead because it is more nimble than its bigger rivals. But, with competition looming, the company's founders have probably chosen a clever time to cash in half their holdings.

Mayflower mulling Pullman counter-bid

By John Griffiths

Engineering group Mayflower and its advisers were understood last night to be considering a counter-bid against Tenneco, the Houston-based US industrial conglomerate which has trumped Mayflower's own $226m offer for Pullman, the US motor components group.

The expansionist Mayflower, which is seeking to become a global vehicle systems supplier and vehicle builder, is believed to have been encouraged to consider countering Tenneco's $300m offer by a closer examination of some $200m in tax losses incurred by Pullman.

Mayflower's belief that part of these could become available to it was a significant factor in the original $226m offer.

Analysts indicated last night that a more detailed examination showed the tax benefits were on such a scale that Mayflower could consider raising its own offer substantially, while still leaving it an attractive proposition for shareholders.

However, Mr John Simpson, Mayflower's chief executive, has established a reputation for not over-paying for businesses.

If Mayflower does come up with a counter-offer, it is likely to be on a take-it-or-leave it basis and framed in a way that tries to preclude further counter-bids from Tenneco.

Pullman remained silent yesterday, providing a further indication that Mayflower remained interested in the company, despite Tenneco's assertion that it expects to conclude a takeover shortly.

Clevite, Pullman's only operating company, makes suspension bushes, engine mounts and tie-rods for the big US car and truck manufacturers.

Its purchase would plug one of the few gaps in Mayflower's engineering expertise.

If Mayflower does get back into the ring successfully, Pullman would be just the latest of a string of acquisitions since Mayflower was created by a reverse takeover of Triangle Trust – maker of Tri-ang toys – in 1989. The acquisitions include bus maker Alexander Walker, bought for £25m last year.

Pacific Media in HK Internet buy

By Paul Taylor

Pacific Media, an Aim-quoted media company, said it is part of a consortium that has bought Supernet, a Hong Kong-based Internet service provider, in a deal worth $6.1m.

The other consortium partners are Bertelsmann, the German media group, and Singapore-based Sembawang Media.

Supernet was owned and managed by the Hong Kong University of Science and Technology and has more than 9,000 subscribers, of which half are companies.

In the 10 months to April 30, Supernet reported pre-tax profits of HK$5.2m ($672,000) on turnover of HK$20.3m. The acquisition also includes Supernet's 16.7 per cent stake in Asia Internet Holdings, an Internet infrastructure provider for Asia.

Pacific Media is contributing $2.55m, including a $2.05m interest bearing loan to the consortium.

RESULTS

	Period	Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglian Group	Yr to Mar 30	214	(193.3)	4.39♦	(21.1)	3.2	(16.8)	4.5	Sept 8	6.2	7.5	10.3
Assoc British Eng	Yr to Mar 31	53.3	(60.2)	1.54♦	(0.583)	0.77L	(0.12)	0.06	Oct 1	0.06	0.06	0.06
Bandt	Yr to Mar 31	121	(76)	2.22	(2.42L)	1.7	(7.4L)	0.8	Aug 23	nil	0.8	nil
Caledonia Invs	Yr to Mar 31	57.4	(54.9)	40.2	(44.5)	30.7	(32.5)	12.1	Aug 7	11.3	18	17
Courts	Yr to Mar 31 ★	335.8	(297.5)	22.7♥	(16.5♥)	50.36	(35.58)	5.4	Oct 11	5.125‡	7.5	7.125‡
Essex Intl §	Yr to Dec 31 ★		(-)	0.2L	(0.09L)	0.24L	(0.11L)	-		-	-	-
GEI Intl	Yr to Mar 31	97.8	(92.3)	1.54	(4.31)	4.89	(8.18)	2	July 29	2	4.5	3
Heath (CE)	Yr to Mar 31 ★	182.4	(172)	21.7♥	(19.1)	8.5	(15.9)	4.16♦	Aug 6	11	7.16♦	16
Helene	Yr to Dec 31	139.1	(128.2)	8.7L♦	(6.13♥)	4.28L	(2.5)	nil	-	1.36	0.43	2.01
JLI	Yr to Mar 31	82.1	(112.1)	2.51♦	(3.44)	5.4	(6.4)	3.3	Sept 6	3.3	4.95	4.95
King & Shaxson	Yr to Apr 30	49	(27.1)	6.53♥	(3.89)	18.1†	(12.9)	5	Aug 2	5	9	9
Locker (Thomas)	Yr to Mar 31	41.3	(30.5)	1.79	(0.45♦)	1.81†	(0.42)	0.6	July 26	0.25	0.9	0.45
Norcros	Yr to Mar 31	285.5	(393.5)	13.7♥	(51.4♦)	5.7	(31.4L)	nil	-	nil	nil	3.5
Northern Electric	Yr to Mar 31	802.2	(1,081)	150.8♥	(140.7♦)	64	(89.2)	27.9	Aug 12	23.4	39.9‡	35
Radstone Tech	Yr to Mar 31	19.3	(29.2)	3.9L♥	(2.27)	20.88L	(6.25)	nil	-	0.825	nil	3.3
Rebus	Yr to Mar 31 §	80	(57)	1.57♦	(8.54)	0.33	(5.85)	1.16	July 31	-	1.16	-
Stoddard Sekers	Yr to Mar 31	55.1	(60.9)	2.3♦	(2.34)	3.9	(2.6)	0.375	July 22	0.85	0.75	1.6
Syltone	Yr to Mar 31	85.2	(44.4)	4.31	(3.06)	12.89	(11.16)	3.92	Oct 7	3.49	5.72	5.2
Wessex Water	Yr to Mar 31	240.7	(229.1)	133.9	(117)	47.7★	(42.6)	10.2	Oct 1	8.8	15.2	13.2

Investment Trusts	Period	NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dartmoor	Yr to Apr 30	103.5	(101.3)	8.64	(5.05)	13.76	(13.98)	3.3	Aug 9	3.2	12‡	11.8‡
Govett High Income	6 mths to Apr 30	89.14	(82.36)	1.65	(1.72)	3.45	(3.5)	1.12§§	July 31	1.12	-	5.6
Gresham House	Yr to Dec 31	10.7	(87.4L)	1.48♥	(0.029L)	34.8	(0.7L)	nil	-	nil	nil	nil
Warrington Intl Cap	Yr to May 31 ★	3069	(251.6)	0.187	(0.208)	3.83	(4.21)	1.9	July 25	1.9	3.7	3.5
Schroder Income								1‡‡	July 31	-	-	2.25

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. ♥After exceptional credit. ★ Comparatives restated. §USM stock. ◦US currency. ‡Includes foreign income dividend element. ♦Includes 1.16p final from Rebus. †On increased capital. ‡On reduced capital. ‡Excludes special payments. ‡Pro forma. ‡Excludes special of 0.5p (0.4p). §§Second interim; makes 2.24p to date. ‡‡Third interim; makes 3p to date.

CE Heath cuts losses on telesales

By Ralph Atkins, Insurance Correspondent

Reduced losses on its telesales operation, Premium Search, helped offset a deterioration in the main broking business at CE Heath, the insurance broker. It edged pre-tax profits before exceptionals up from £19.1m ($29.22m) to £20.1m in the year to March 31.

Mr John Mackenzie Green, chief executive, said market conditions remained "grim". Margins were being squeezed by falls in insurance premium rates of as much as 20 per cent. The group had embarked on a further cost reduction exercise, expected to include staff cuts, and would benefit from overseas investment.

After exceptional items – including rationalisation and demerger costs, and profits on disposals – pre-tax profits were £21.7m.

The results included for the last time Heath's former computer activities, demerged in April as Rebus group, a separately listed company. Computer services contributed £6.5m to pre-tax profits, against £6.4m last time.

Premium Search, which sells personal motor and household insurance products on behalf of a panel insurers, reported a loss of £3.5m, down from £4.3m last time. Heath said that despite tough fierce competition, the operation was trading in line with its business plan and should move into profit in early 1997.

In insurance broking, which is concentrated largely in the UK and London's international insurance market, pre-tax profits fell from £17.3m to £13.7m. However brokerage, or turnover, increased slightly from £117.1m to £118.3m.

UK expenses rose by an underlying 1 per cent, but overseas costs jumped by 18 per cent, reflecting the development of supply lines as part of a strategy of increasing geographical spread.

Mr Mackenzie Green said that despite speculation of widespread consolidation in the broking sector, there remained a role for smaller participants, such as Heath. In the past six months, the group has agreed joint ventures in Fiji, Kazakhstan and Ecuador. "We are picking our places. We don't pretend to be all things to all men," Mr Mackenzie Green said.

Earnings per share were 8.5p (15.9p). As previously announced, Heath has cut its dividend. A final dividend of 3p, plus 1.16p from Rebus, makes a total of 4.16p for shareholders who hold Rebus shares in addition to Heath. This gives a total for the year of 7.16p (16p).

IT Senior Appointments

IT City Appointments

COMMODITIES AND AGRICULTURE

World metal bureau cuts copper surplus estimate

By Kenneth Gooding, Mining Correspondent

The World Bureau of Metal Statistics, whose data are used by many international metals analysts, has identified most of the reasons why copper market statistics have been unreliable for several years and has revised its calculations.

These show that global supply of refined copper was only 48,000 tonnes below consumption last year, not 600,000 tonnes as the bureau reported earlier this year.

Mr Lloyd Davies, general manager of the WBMS, said it was obvious the bigger total was wrong because the bureau also found virtually no change in copper stocks.

The bureau had found that the problem originated in some consumption figures, particularly those for the European Union, and in some east-west trade data for some parts of the former Soviet Union, particularly Kazakhstan.

Mr Davies said it was possible that the European consumption figures for 1995 were overstated by about 250,000 tonnes, while western imports from the eastern bloc were under-reported by about 80,000 tonnes.

Mr Peter Hollands, editor of Bloomsbury Minerals Economics' Copper Briefing Service newsletter, who was among the first publicly to raise this issue, said yesterday: "The bureau has done an excellent job of sorting out the European data. It has done some ingenious research. It is very unusual to get this level of accuracy in statistics."

The revised figures, showing a very small supply deficit in 1995, supported the view that copper prices were likely to fall as supply surpluses gradually built up this year, he pointed out. Mr Davies said he now had confidence in all the bureau's statistics except for those relating to stocks of refined copper held by producers outside the US. The American Bureau of Metal Statistics, which collected these data, would investigate.

The bureau completed its recalculations in time for the seminar next week organised by the United Nations-sponsored International Copper Study Group.

Western World Refined Copper Balance ('000 tonnes)

	1995	1994	1993	1992
Production				
Primary	7,862	7,470	7,652	7,529
Secondary	1,483	1,515	1,470	1,466
Total	9,345	8,985	9,122	8,995
Net East/West Trade	+707	+758	+457	+187
Total Consumption	10,349	10,217	9,376	9,104
EU Double Counting	249	226	88	61
Market Balance	-48	-248	+291	+139
Reported Stock Change	-81	-350	+197	+100

Source: WBMS

Caribbean sugar growers put on a brave face

The EU's suppliers are facing an uncertain period over the next five years, writes Canute James

The European Union's cane sugar suppliers are putting on a brave face in contemplating what many of them admit is a uncertain period over the next five years in preserving their lucrative market.

A recent meeting of trade and agriculture ministers of the 70-nation African, Caribbean and Pacific (ACP) group, concluded that although they expected changes to the protocol that covers sugar sales to the EU, they were uncertain how extensive these would be, and they feared that extensive alterations would irreparably damage their market.

One concern is the expiry of the Lomé Convention, the trade and aid treaty between the EU and the ACP, in 2000. The sugar protocol is to be reviewed that year. The ACP quota is 1.3m tonnes a year, with suppliers getting about 30 cents a pound. An additional quota was recently granted for 295,000 tonnes a year until June 2001, at about 25 cents a pound. With world market prices significantly below these levels the EU market has been keeping afloat the sugar industries with high production costs in several ACP countries.

"The sugar protocol is a legal document which will outlive the Lomé Convention," said Mr Arvin Boolel, the ACP's spokesman on sugar. "Any disruption in the sugar trade between the ACP and the EU will have dire consequences and threaten the economy and society of several countries. We are duty bound to struggle to maintain and further strengthen our hard won preferences."

The producers' concerns are compounded by the coincidence of the review of the sugar protocol with increasing competition in global trade in agriculture as preferential agreements become less favoured. They feel also that the sugar protocol will come under increasing pressure from within the EU. At the same time, several of the producers may find in increasingly difficult to retain their valuable US quotas, as Mexico's quota under the North American Free Trade Agreement will rise from the current 7,250 tonnes a year to 250,000 tonnes in 2001, say ACP officials.

The US quotas were under threat from Nafta, according to Ms Margaret Blamberg, vice president of the Domino Sugar Corporation of New York. "Nafta is perhaps the most potent example of the profound changes for US sugar policy," she told the ministers. "The US quota system is outmoded and incompatible with the realities of contemporary world trade."

Another concern raised by the ministers at the conference was the effect of the EU's offer under the Uruguay Round of trade negotiations, to reduce tariffs by 15 per cent over a six year period ending in 2001. "This translates into an increasing downward pressure on the price that will be offered to the ACP, as the price is negotiated within the range prevailing in the EU," said Mr Horace Clarke, Jamaica's agriculture minister.

The producers' fears were mollified by Mr Ejner Stendevad of the European Commission, who suggested that there was reason for optimism that the sugar protocol would continue after 2001, but with some changes such as a minimal cut in the quotas by the EU, and a fall in prices.

"Prepare for the worst but hope for the best," he cautioned. EU and ACP producers should rationalise their operations to deal with increased competition as the progressive reduction of tariffs would make a reduction in the support price unavoidable. To remain competitive, ACP states must develop more efficient means of production and concentrate on increasing output and lowering production costs, he suggested.

ACP officials agreed. Mr Carl Greenidge, the group's acting secretary general, told producers that competition from alternative sweeteners would reduce current levels of sugar consumption, and increasing use of high fructose syrups by food and drink processors would force ACP producers to improve the efficiency of their industries.

The sugar producers expect to get a firmer indication of future trends in a few months with the inaugural ministerial meeting of WTO, which Mr Boolel said would be a "watershed" in international trade. "ACP states have to gear themselves to present a united front, not only to counter moves by proponents of unbridled trade liberalisation, but more importantly, to explain our special situation and the need for preferential trade arrangements," he said.

The ACP producers, however, were clearly unhappy at the likely threat to their industries from unexpected quarters. There is reason for concern over the application of guidelines from the World Health Organisation, which advocate a threshold on sugar of 10 per cent of energy intake, warned Mr Peter Baron, director of the International Sugar Organisation.

He said this should be rejected as it could cause a reduction in world sugar consumption of about 17 per cent, and a cut of 25 per cent in world imports, with a threat to millions of jobs. "The publication of such goals by an authoritative body like the WHO has provoked great concern in the sugar industry," Mr Baron reported. The sugar limitation was suggested in a 1990 WHO report on Diet, Nutrition and the Prevention of Chronic Diseases. Mr Baron said that although it was not yet formally implemented, the guideline had influenced government policy in some developed countries and given "strong ammunition" to the anti-sugar lobby.

Coal strike spreads

By Nikki Tait in Sydney

Three Queensland coal mines operated by Shell Australia were hit by a 48-hour strike yesterday as members of the powerful Construction, Forestry, Mining and Energy Workers' Union walked out in support of striking employees at the Dalrymple coal terminal, near Mackay.

The dispute at Dalrymple began last week, after the Queensland Industrial Relations Commission awarded coverage of workers at the coal loading facilities to the rival Australian Workers Union, with the backing of management. Industrial disruption has already spread to the Port Kembla coal terminal in New South Wales.

International tea sales drive majors on the feel-good factor

Alastair Guild reports on a generic marketing campaign stressing the health-giving properties claimed for black tea

International agreement has been reached on a generic campaign to highlight the health-giving properties of black tea.

There is no futures contract for tea and no producers' cartel. The eventual aim of this campaign will be to eliminate surpluses and introduce greater stability into the market, while boosting prices paid to producers.

The US$4.61m, 3-year project is to be jointly financed by a contribution of $700,000 from producing countries (Kenya, Indonesia, Sri Lanka and India) and $1.9m each from consuming countries (Canada, the US and the UK) and the UN's Common Fund for Commodities. It is seen as one of the most important initiatives to be taken by the Amsterdam-based CFC since it was established in 1989 with the aim of stemming falls in world prices of primary commodities. It now has more than 100 member-states, as well as the support of the European Union.

The campaign – the result of several years of negotiation within the Intergovernmental Group on Tea, sponsored by the UN Food and Agriculture Organisation – is divided into two phases. It will support research, some of it already under way in the US, into the part that tea may play in disease prevention, especially of cardiovascular disease and certain cancers. Chinese and Japanese researchers have produced a substantial body of work on green tea's role in disease prevention. The CFC project will concentrate on the parallel performance of black tea.

The second phase, to be managed by the UK Tea Council, will concentrate on the creation of a communications package for the promotion of tea. The package, influenced by the research findings, will be designed to convey the health giving properties of tea across countries and continents, while communicating to the public the core results of the research.

International advertising agencies are being recruited and Saatchi and Saatchi is thought likely to be appointed the lead agency.

The new ideas will be tested first in four markets, chosen for being developing markets with a still significant potential and without yet having complex branding structures. These are:

- Zimbabwe, which consumes a mere 25 per cent of its own production;
- Eastern Java, at present a predominantly green tea market, but where black tea is increasingly becoming the preferred option among the better off;
- The Czech Republic, which has a history of tea consumption but, as a fast developing economy, is seen as having yet more potential;
- And Catalonia, where the populace has not yet seriously embraced the tea-drinking habit.

There is an annual world-wide surplus of some 80,000 tonnes of tea, out of a total production of 2.5m tonnes. This is likely to increase as average yields improve, particularly with the development of clones.

The world average yield is currently 1,500kg of tea a hectare, but 5,000 kg/ha is becoming quite common and 10,000kg is now possible. As countries replace bushes that can be anything up to 100 years old, they are tending to replant with clones.

"Tea is there and its a very important crop for a number of countries," says Mr Illtyd Lewis, director of the UK's Tea Council's. "And there's no doubt that surpluses play havoc with the market."

"Many tea producers are in real trouble because of the money they are not getting for their tea," he says. "Tea cannot be stored. You cannot dive out of it like you can other crops.

"Once they've planted, producers are entirely at the mercy of the market."

Mr Lewis stresses that "one of tea's great strengths is its homogeneous nature. . . Its totally natural and you brew it in the same way wherever you are in the world. This is what allows us to promote it in a generic way.

"Tea warms you and cools you, its refreshing and it's good for you; it comes from the Third World and it's ecologically sound. Any other product with those qualities would be peddling itself like mad."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1479-80	1515-6
Previous	1490-1	1527-8
High/low	1477	1528/1508
AM Official	1476-7	1512.5-3.0
Kerb close		1512-3
Open int.	241,364	
Total daily turnover	52,401	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1258-63	1292-5
Previous	1250-60	1292-5
High/low	1259	1310/1285
AM Official	1259-60	1293-5
Kerb close		1290-5
Open int.	5,019	
Total daily turnover	293	

■ LEAD ($ per tonne)

Close	779-80	788-7
Previous	796-7	803-4
High/low	781	805/783
AM Official	781.5-2.0	788.5-9.5
Kerb close		785-6
Open int.	33,731	
Total daily turnover	7,245	

■ NICKEL ($ per tonne)

Close	7660-70	7770-75
Previous	7725-35	7835-40
High/low		7870/7775
AM Official	7675-80	7795-800
Kerb close		7770-80
Open int.	42,511	
Total daily turnover	13,540	

■ TIN ($ per tonne)

Close	6150-60	6190-95
Previous	6160-70	6195-200
High/low	6159	6200/6175
AM Official	6158-9	6185-90
Kerb close		6180-5
Open int.	16,191	
Total daily turnover	3,163	

■ ZINC, special high grade ($ per tonne)

Close	997-8	1023.5-4.0
Previous	1002.5-3.5	1029-30
High/low	1000	1030/1024
AM Official	1000-0.5	1026-6.5
Kerb close		1025-6
Open int.	71,394	
Total daily turnover	16,242	

■ COPPER, grade A ($ per tonne)

Close	2050-5	1975-80
Previous	2115-20	2033-5
High/low	2085/2070	2040/1963
AM Official	2070-5	2003-5
Kerb close		1973-5
Open int.	185,604	
Total daily turnover	117,125	

■ LME AM Official £/$ rate: 1.5410
LME Closing £/$ rate: 1.5417

Spot: 1.5419 3 mths: 1.5410 6 mths: 1.5414 9 mths: 1.5423

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	101.20	-1.90	101.20	100.00	164	1,704
Jul	94.80	-2.40	97.20	93.95	3,417	13,835
Aug	93.00	-2.40	94.20	93.60	63	1,734
Sep	92.15	-2.75	95.50	91.30	4,020	13,944
Oct	92.05	-2.85	95.00	94.50	56	1,038
Nov	91.85	-2.55	94.50	94.50	48	940
Total					10,112	55,968

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.20-384.60		
Opening	384.40-384.80		
Morning fix	384.30	249.189	481.643
Afternoon fix	384.40	249.287	482.114
Day's High	384.60-385.00		
Day's Low	384.00-384.40		
Previous close	385.10-385.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.33	6 months	4.22
2 months	4.30	12 months	4.07
3 months	4.23		

Silver Fix	p/troy oz.	US cts equiv.
Spot	331.70	511.15
3 months	335.80	517.20
6 months	339.90	523.75
1 year	348.40	537.50
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	383-386	248-250
Maple Leaf	385.05-397.50	-
New Sovereign	88-91	57-59

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	384.2	-0.1	384.4	383.8	67	62
Jul	384.9	-0.2	-	-	-	-
Aug	386.3	-0.2	386.7	385.9	23,539	86,836
Oct	389.1	-0.2	389.3	388.8	58	7,606
Dec	391.8	-0.2	392.2	391.5	502	37,599
Feb	394.6	-0.2	395.9	395.8	180	8,243
Total					25,227	193,463

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jul	395.4	+0.5	396.0	393.5	1,926	12,241
Oct	397.9	+0.1	398.0	396.5	1,304	12,581
Jan	400.9	+0.1	401.0	401.0	191	1,421
Apr	403.9	+0.1	-	-	17	1,786
Jul	407.2	+0.1	-	-	2	27
Total					3,440	28,056

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	130.55	+0.10	-	-	1	19
Sep	131.05	+0.10	131.25	130.50	155	6,949
Dec	132.05	+0.10	132.25	132.00	20	915
Jun	134.10	+0.10	-	-	-	106
Total					157	8,061

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Jun	511.3	+1.0	-	-	-	-
Jul	512.2	+1.0	512.5	507.5	22,499	50,728
Aug	514.9	+1.0	-	-	-	-
Sep	517.8	+1.0	518.0	514.0	5,259	32,580
Dec	525.8	+1.0	526.5	522.5	1,488	15,143
Mar	534.0	+1.0	533.0	533.0	277	5,433
Total					29,884	114,960

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	20.83	+0.07	20.95	20.55	37,789	27,796
Aug	20.09	+0.24	20.15	19.82	52,757	81,983
Sep	19.43	+0.21	19.45	19.20	12,073	38,853
Oct	19.00	+0.21	19.00	18.74	4,255	27,425
Nov	18.65	+0.15	18.65	18.52	3,027	21,952
Dec	18.45	+0.14	18.47	18.31	5,285	34,073
Total					119,401	370,308

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.13	+0.13	18.23	17.92	15,360	73,639
Sep	17.78	+0.18	17.78	17.55	4,161	24,740
Oct	17.43	+0.13	17.49	17.29	486	18,769
Nov	17.22	+0.13	17.29	17.12	241	5,359
Dec	17.08	+0.16	17.09	18.96	238	12,276
Jan	16.88	+0.10	16.88	16.88	520	12,132
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	51.50	+0.38	51.75	50.90	9,790	18,574
Aug	51.85	+0.40	52.10	51.30	10,054	18,945
Sep	52.45	+0.50	52.60	51.90	1,736	9,366
Oct	52.75	+0.25	53.00	52.40	322	5,627
Nov	53.50	+0.45	53.60	53.05	795	6,755
Dec	54.00	+0.45	54.05	53.50	2,855	18,174
Total					27,198	97,088

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	160.25	-0.75	161.25	158.50	8,544	16,631
Aug	158.75	-1.25	159.75	157.50	4,297	11,382
Sep	159.00	-1.50	160.25	158.25	1,159	7,408
Oct	160.00	-1.00	160.75	159.00	892	2,825
Nov	161.50	-1.00	159.75	159.75	10	1,530
Dec	160.75	-1.00	161.50	160.00	326	9,499
Total					15,302	93,483

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	2.565	-0.098	2.655	2.561	21,484	24,789
Aug	2.630	-0.033	2.680	2.611	6,074	38,209
Sep	2.645	-0.017	2.680	2.615	2,622	19,988
Oct	2.630	-0.009	2.655	2.605	2,246	17,625
Nov	2.640	-0.004	2.665	2.620	1,495	11,887
Dec	2.690	-0.005	2.695	2.670	2,112	13,863
Total					40,321	169,548

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jul	58.20	+0.24	58.60	57.50	15,803	22,263
Aug	58.15	+0.22	58.70	57.50	8,779	20,396
Sep	57.40	+0.27	57.80	57.00	2,528	6,705
Oct	55.55	+0.42	55.70	55.20	611	2,793
Nov	54.20	+0.37	54.20	53.90	112	1,172
Dec	53.10	+0.07	53.35	52.80	218	1,496
Total					28,277	58,309

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	115.30	-	117.00	115.50	229	580
Sep	112.75	-0.15	-	-	-	373
Nov	114.35	-0.45	114.75	114.25	271	3,069
Jan	116.55	-	-	-	-	1,033
Mar	118.25	-0.35	-	-	-	279
May	120.25	-0.35	-	-	-	134
Total					na	na

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Jul	487.50	-6	483.00	484.00	8,296	28,448
Sep	492.25	-5.25	497.75	490.00	4,273	25,702
Dec	501.50	-4.5	507.50	499.00	4,499	21,302
Mar	501.00	-4.75	504.00	499.50	597	2,958
May	474.00	-4	485.00	483.00	5	110
Jul	432.00	-2	436.00	430.00	27	1,729
Total					17,694	80,366

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Jul	474.00	+0.5	474.50	467.00	17,334	80,438
Sep	382.00	-2	384.25	378.00	8,317	68,512
Dec	351.50	+3	352.00	346.00	36,438	167,047
Mar	356.50	+2.5	357.00	351.25	2,588	21,716
May	358.50	+2	358.50	354.50	436	4,278
Jul	357.25	+2.25	357.50	353.50	812	4,706
Total					66,186	348,726

■ BARLEY LCE (£ per tonne)

Sep	104.90	-	-	-	-	73
Nov	106.90	+0.15	106.50	106.00	31	718
Jan	108.90	-0.10	-	-	-	141
Mar	110.65	-	-	-	-	41
May	111.00	-1.00	-	-	-	6
Total					na	na

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jul	780.00	-3	784.00	777.50	10,338	38,914
Aug	775.00	-2.25	777.75	772.50	4,410	23,584
Sep	759.25	-0.5	760.50	757.00	980	8,250
Nov	749.75	-0.25	754.00	747.00	22,193	94,091
Jan	756.00	-	757.50	754.50	655	7,685
Mar	762.25	-0.75	764.00	761.00	118	3,710
Total					39,193	184,489

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Jul	25.42	-0.42	26.00	25.26	6,402	23,325
Aug	25.62	-0.36	26.01	25.46	4,378	17,391
Sep	25.84	-0.36	26.15	25.70	802	8,541
Oct	26.02	-0.37	26.30	25.90	458	6,513
Dec	26.30	-0.39	26.58	26.20	4,521	25,291
Jan	26.40	-0.35	26.70	26.40	66	2,002
Total					18,641	86,085

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Jul	243.2	+1	243.4	241.8	10,449	30,534
Aug	242.4	+0.8	242.7	241.1	4,845	18,612
Sep	239.7	+0.4	240.5	239.0	976	9,121
Oct	235.8	+0.8	236.3	235.2	283	4,798
Dec	235.3	+1	235.9	233.4	2,923	23,030
Jan	235.0	+0.7	235.5	234.2	26	2,277
Total					19,816	88,325

■ POTATOES LCE (£/tonne)

Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	147.0	-	148.0	145.0	55	1,158
May	160.0	-	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					na	na

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jun	1233	-	1235	1230	14	547
Jul	1163	+7	1165	1160	14	2,039
Aug	1155	-2	1155	1155	23	169
Oct	1262	-	1268	1260	10	1,451
Jan	1278	+1	1280	1280	7	223
Apr	1278	-2	1280	1280	5	91
Total					na	na

	Close	Prev
BFI	1241	1249

FUTURES DATA
All futures data supplied by CMS.

Wool
Although wool sales are becoming less frequent as the main selling seasons conclude at the end of this month. Prices are holding firm and if anything tending dearer. The Australian Eastern market indicator closed 12 cents higher than a week ago at 695 cents a kg., and New Zealand prices especially for a small selection of merinos were dearer. A firm close to the season is seen as helpful to traders in the weeks when no sales are held. Demand from the retail end is nevertheless at present very slow, and higher prices are extremely difficult, often impossible, to pass on. Stockpile disposal in Australia is continuing satisfactorily but there are problems as different factions press for alterations, and political factors affect attitudes. The outlook is still seen as dull for trade, and difficult in covering costs, quite apart from achieving profitability.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1077	-	1075	1061	410	7,507
Sep	1098	-4	1104	1086	1,545	44,170
Dec	1042	-	1050	1032	1,545	40,531
Mar	1039	-	1045	1031	713	42,125
May	1047	-1	1054	1043	73	20,207
Jul	1059	+1	1063	1054	108	10,533
Total					na	na

■ COCOA CSCE (10 tonnes; $/tonnes)

Jul	1379	+5	1391	1375	152	667
Sep	1416	+6	1428	1403	7,039	35,707
Dec	1437	+6	1448	1425	1,209	19,985
Mar	1455	+9	1462	1444	530	13,497
May	1467	+9	1459	1456	29	6,688
Jul	1470	+2	1470	1470	-	5,909
Total					3,710	87,974

■ COCOA (ICCO) (SDR's/tonne)

Jun 19	Price	Prev. day
Daily	1062.33	1069.76

■ COFFEE LCE ($/tonne)

Jul	1883	-24	1914	1860	2,272	7,571
Sep	1819	-	1830	1785	2,418	10,376
Nov	1779	-2	1785	1739	269	4,031
Jan	1740	-	1755	1730	65	2,366
Mar	1710	+20	1710	1710	110	947
May	1695	-	1701	1701	10	50
Total					na	na

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Jul	121.45	-0.45	122.50	121.00	5,168	2,930
Sep	117.30	-0.50	118.40	117.10	6,602	13,779
Dec	114.35	-0.40	115.30	114.10	487	4,875
Mar	112.25	-0.60	113.25	112.25	55	1,255
May	112.05	-0.20	112.50	111.00	49	350
Jul	110.40	+0.15	-	-	-	93
Total					13,214	23,287

■ COFFEE (ICO) (US cents/pound)

Jun 19		Prev. day
Comp. daily	108.35	108.14
15 day average	105.00	104.81

■ WHITE SUGAR LCE ($/tonne)

Aug	384.0	+0.3	385.2	383.0	561	9,331
Oct	348.0	+0.2	348.0	347.1	193	7,122
Dec	347.0	+11.6	335.1	334.1	128	3,993
Mar	329.9	-	330.0	330.0	58	4,205
May	328.4	-0.2	328.2	328.2	8	2,081
Aug	326.8	-	-	-	-	751
Total					948	27,942

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Jul	11.75	+0.16	11.78	11.63	9,722	31,425
Oct	11.18	-	11.22	11.13	6,548	55,522
Mar	10.86	+0.01	10.86	10.83	2,742	34,721
May	10.69	-0.01	10.70	10.68	879	11,832
Jul	10.56	-0.01	10.58	10.56	373	10,492
Oct	10.47	-0.01	10.48	10.47	67	4,594
Total					34,201	149,111

■ COTTON NYCE (50,000lbs; cents/lbs)

Jul	74.63	-1.87	76.50	74.20	5,100	7,286
Oct	75.16	+0.21	76.70	75.85	1,975	6,848
Dec	76.25	+0.38	76.70	76.00	6,948	34,393
Mar	77.40	+0.35	77.70	77.25	815	5,999
May	78.10	+0.40	78.20	78.00	518	3,028
Jul	78.60	+0.45	78.75	78.45	217	1,672
Total					15,533	61,998

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jul	123.80	+0.45	123.90	122.10	3,040	5,812
Sep	120.75	-	120.95	119.50	1,820	8,108
Nov	117.15	-0.35	117.80	116.30	102	2,015
Jan	115.20	-0.80	116.25	114.75	48	3,795
Mar	117.20	-0.80	-	-	8	274
May	118.20	-0.80	-	-	-	-
Total					5,818	20,267

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 20	Jun 19	month ago	year ago
2041.2	2051.6	2123.9	2301.2

■ CRB Futures (Base: 1967=100)

Jun 19	Jun 18	month ago	year ago
249.58	251.40	na	na

■ GSCI Spot (Base: 1970=100)

Jun 19	Jun 18	month ago	year ago
200.12	202.45	212.03	176.76

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	62.675	+0.6	62.750	61.875	1,394	1,882
Aug	65.200	+0.05	65.225	64.625	7,187	40,359
Oct	66.575	+0.175	66.650	66.075	2,337	24,072
Dec	64.150	-0.25	64.300	64.000	1,293	11,352
Feb	63.225	-0.25	63.400	63.125	678	11,615
Apr	66.200	-0.1	66.250	66.000	181	3,413
Total					14,575	94,956

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jun	57.650	-0.325	58.000	56.750	1,084	1,098
Jul	54.950	+0.8	55.200	54.150	5,345	8,158
Aug	51.975	+0.575	52.425	51.300	4,846	10,976
Oct	48.150	+0.525	48.450	47.700	1,975	5,818
Dec	50.925	-	51.450	50.900	947	6,313
Feb	74.300	+0.65	74.400	73.300	107	1,655
Total					11,881	38,324

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Jul	70.750	+2	70.750	68.750	1,164	3,749
Aug	68.175	+2	68.175	66.200	1,665	3,348
Feb	75.450	+2	75.450	73.700	432	854
Mar	76.800	+1.8	76.800	75.900	12	58
May	77.925	+1.925	77.100	76.000	-	53
Total					1,468	7,874

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	126	167	14	24
1500	61	102	47	57
1600	23	57	108	109
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1900	166	177	85	119
2000	116	131	134	170
2100	77	95	194	231
■ COFFEE LCE	Jul		Jul	
na	-	-	-	-
na	-	-	-	-
na	-	-	-	-
■ COCOA LCE	Jul	Sep	Jul	Sep
na	-	-	-	-
na	-	-	-	-
na	-	-	-	-
■ BRENT CRUDE IPE	Jul	Aug	Jul	Aug
1750	-	-	21	47
1800	45	35	44	81
1850	26	21	-	-

LONDON SPOT MARKETS

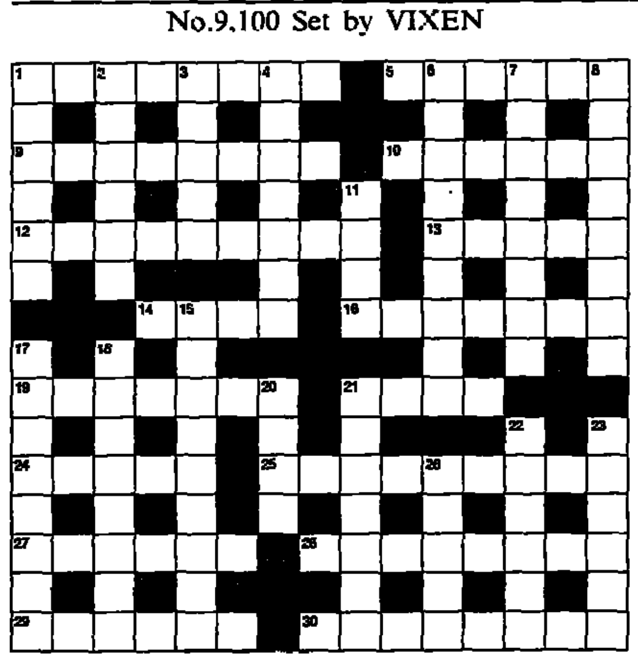
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$16.95-7.02	-0.056
Brent Blend (dated)	$18.40-8.46	+0.01
Brent Blend (Aug)	$18.15-8.17	+0.04
W.T.I.	$20.05-0.08x	+0.225
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$200-202	-3
Gas Oil	$163-164	-2
Heavy Fuel Oil	$86-88	+2
Naphtha	$170-173	-1.5
Jet fuel	$188-189	-1
Diesel	$166-168	-2.5
■ NATURAL GAS (Pence/therm)		
Bacton (Jul)	12.70-13.25	-0.075
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$384.40	-0.80
Silver (per troy oz)♣	514.50c	-4.0
Platinum (per troy oz.)	$392.00	-2.0
Palladium (per troy oz.)	$129.15	+0.15
Copper	116.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.20r	+0.05
Tin (New York)	289.50	+1.0
Cattle (live weight)	100.89p	-1.05*
Sheep (live weight)	111.05p	-13.86*
Pigs (live weight)†	116.73p	+1.46*
Lon. day sugar (raw)	$291.40	+2.0
Lon. day sugar (wte)	$400.0	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Jul)¥	100.00p	
Rubber (Aug)¥	100.00p	
Rubber (KL RSS No1)	372.00m	-1.0
Coconut Oil (Phil)§	860.0w	-20.0
Palm Oil (Malay.)§	$495.0w	-12.5
Copra (Phil)§	$562.0w	
Soyabeans (US)	214.0	-3.0
Cotton Outlook'A' Index	82.55c	-0.25
Wooltops (64s Super)	426p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Aug. w Jun/Jul. z Jun/Sep ¥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,967 head of pigs sold.

JOTTER PAD

CROSSWORD

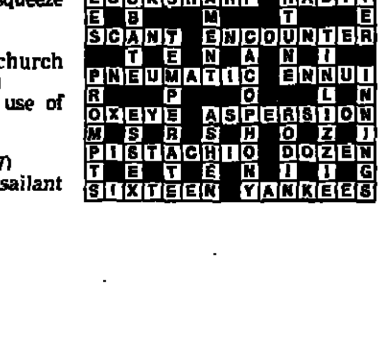
No.9,100 Set by VIXEN



ACROSS
1 Force many a sailing man to go about (8)
5 Both the mother and child wanted fruit (6)
9 Deny Ben misbehaved in a football crowd (8)
10 Like a quarter, faces retirement (6)
12 Litter rack? (9)
13 Ancient city – one involved in revolution (5)
14 Halt when drooping (4)
16 Wind up a man on the board (7)
19 Seen and marked (7)
21 Very very fair (2-2)
24 Possibly ten royal characters are to register (5)
25 Stand for certain stuff with much dislike (9)
27 Ladies made up and set forth (6)
28 Get moving! (8)
29 A midday rest is a set requirement (6)
30 Left content in new squeeze (8)

DOWN
1 Rows within the church would be unseemly (6)
2 People skilled in the use of the pitchfork? (6)
3 True blue (5)
4 Get even – the sauce! (7)
6 Dogs dealing with assailant (9)
7 The least expensive accommodation in the main (8)
8 Propose maybe giving a mention (8)
11 Sound staple food is produced (4)
15 In the bleak mid-winter men think of exequies (9)
17 Sizes up silly females? (8)
18 Cold, overtired – in a sorry state indeed! (8)
20 Challenge that's read the wrong way (4)
21 Hold up drink – wine (7)
22 Considering viewing (6)
23 The goddess taking first one note and then another (6)
26 Heather's anger upset the accountant (5)

Solution 9,099



INTERNATIONAL CAPITAL MARKETS

US and Germany hit by strong economic data

By Richard Lapper, Capital Markets Editor

US and German bonds fell yesterday following fresh data indicating a pick-up in economic growth in both countries. "Both economies are beginning to look much stronger than the market was factoring in at the start of the year, and that is negative for rates at the long end," said Mr Michael Burke, senior economist at Citibank in London.

In spite of weakness in core markets, convergence trades were very much in vogue, with Italian, Spanish and Swedish bonds outperforming.

■ In the US, Treasuries slipped back in early trading after the Philadelphia Federal Reserve Bank's business index for June showed a pick-up in activity. New orders and input prices were up sharply. Wednesday's "beige book" had showed the economy was growing at a moderate pace and signs of tightness in the labour market.

By midday in New York, benchmark two-year Treasuries were down by 1/8 at 99 15/32. Benchmark 30-year paper fell by 5/8 to 86 5/32. In Chicago the September T-bond futures contract but was trading at 106 25/32, by the London close, down 3/32.

■ Market expectations about slower German monetary growth were disappointed, with May M3 rising by 10.5 per cent on a year-on-year basis, compared with 11.2 per cent in April. Many analysts had expected growth to be in single digits and bond prices fell as a result.

"The market got way too optimistic about what it was looking for," said Mr Burke. "People were hoping that the figure would reverse the trend towards higher short-term rates. It has actually reinforced it."

In the cash market, yields on the benchmark 10-year bund rose by 1 basis point to close at 6.66 per cent. On Liffe, the September bund future lost nearly a fifth of a point to close at 94.60.

Liffe's money market contracts also fell, with the December contract losing 0.02 to settle at 96.27, discounting rates on three-month money of 3.73 per cent by the end of the year, compared with current levels of 3.3 per cent.

GOVERNMENT BONDS

■ European high yielding markets had another good day. Helped by buying on speculation that Italy could rejoin the European exchange rate mechanism as early as this weekend, prices rose sharply across the curve.

Expectations that the June CPI would fall below 4 per cent were strengthened by a further batch of provisional price data from Italian cities, increasing the prospect of an imminent cut in interest rates.

By the close in London the 10-year yield spread over Germany had narrowed by 8 basis points to 288 points. On Liffe, the September BTP future rose 0.26 to settle at 115.95. Italian money market contracts also moved sharply higher, with the September contract up 0.10 to 92.10 and the December contract up 0.12 to 92.36.

Mr Mark Fox, chief European strategist at Lehman Brothers, said developments were tending to contradict the traditional view that "you need a favourable bond market for convergence to occur".

Mr Fox said that "given time, there is no reason why spreads will not go substantially lower than 250 basis points." Another analyst said that with progress being made on inflation and interest rates already priced into the market, "the momentum behind Emu" was the main factor driving Italian prices higher.

"People buying Italy are buying Emu [European Monetary Union] with a high yield," she explained.

Elsewhere, Sweden and Spain were beneficiaries of the same trend. A cut by 75 basis points in lending and discount rates gave an additional fillip to the Swedish market. Swedish 10-year yield spreads fell by 8 basis points to 189 points. Spanish spreads over Germany also came in by 8 basis points to 241 points.

■ UK gilts ended the day little changed. The September long gilt settled at 104 25/32, down 1/32. The French market also slid lower, with the September Notional contract settling at 120.66, down 0.12.

■ J.P. Morgan is to add Finland to its government bond index, following a rise in overseas interest in its market. Foreign investors now hold between $3bn and $4bn of an outstanding $45bn in local currency-denominated debt.

Foreign currency debt amounts to some $40bn, according to Mr Kari Nars, director of finance. Almost all the local currency-denominated debt has been acquired since 1992, with interest in the market increasing as a result of the country's economic recovery and admission to the European Union last year.

Finland is expected to join the ERM later this year and is a possible candidate for membership of European Monetary Union in its first stage.

Ten-year yield spreads over Germany have contracted to about 80 basis points compared with more than 300 points early last year. Mr Nars said that Finland planned to issue between $6bn and $8bn in markka bonds this year, including a new 10-year issue which is set to reach benchmark status in September.

The J.P. Morgan index is made up of bonds from 15 countries.

India eases rules on GDR issues and borrowing

By Mark Nicholson in New Delhi

India's finance ministry has relaxed the rules governing local companies' issuance of Global Depositary Receipts on the international markets and for foreign currency borrowing. The aim is to make it easier to raise finance for infrastructure projects.

The moves highlight the new United Front government's determination to encourage investment in sectors including power, oil exploration, telecoms, transport, ports and roads. Mr P. Chidambaram, finance minister, has stressed the need to raise up to $200bn for such infrastructure in the next five years.

The new regulations will also permit greater use of foreign-raised funds for local currency purchases and investments.

Bankers praised the changes, saying that in many cases they codified what was already informal practice. "It is a welcome attempt to ratify many widely-accepted measures. It will certainly assist foreign borrowing for many institutions," said Mr Dominic Price, head of Indian capital markets at Lodha Capital Markets, a joint venture with Paribas.

For GDRs, the modifications remove the limit on the number of such issues any single company or group of companies can make in each fiscal year. They retain the requirement for most companies that they have a "consistent track record of good performance" for three years prior to an issue, but would waive that rule for companies seeking issues to finance infrastructure projects.

The changes also liberalise the end-uses of receipts from GDRs to include financing capital goods imports, domestic capital expenditure, repayment of earlier borrowings, approved investments abroad and equity investments in joint ventures. Use of such funds for property or stock market investments remains barred.

Indian companies had raised more than $5bn through 64 issues of GDRs or foreign currency-denominated convertible bonds up to the end of last year since they were first permitted in 1993. The euro-issue market tailed off considerably last year, but bankers are expecting a flurry of issues in the coming months.

For external commercial borrowings, which include direct borrowing in foreign currencies, buyers' and suppliers' credits and securitised instruments, the government has reduced the required average maturity for loans exceeding $15m from seven to five years for infrastructure projects.

This follows widespread complaints that the previous rules proved difficult for financing such deals as new telecoms projects. Indian financial institutions can also now borrow on five-year terms.

The rules will also for the first time allow funds from external commercial borrowing, for use in infrastructure projects only, to be used for local expenditure.

India places an overall cap on external commercial borrowing, seeking to balance foreign currency commitments with the financing needs of local industry, and bearing in mind the country's total foreign debt, which is now standing at almost $100bn.

Last year's cap of $5bn was informally increased to $6.2bn. The present government is expected to set a cap of $7bn for the current fiscal year, ending next March.

Spain securitises nuclear debt

By David White in Madrid and Conner Middelmann in London

Spain yesterday completed its ambitious Pta715bn securitisation of nuclear moratorium debt, clearing the debts of Spanish electrical companies related to mothballed nuclear power plants.

A syndicate headed by Banco Bilbao Vizcaya and Morgan Stanley was awarded the Pta215bn ($1.68bn) international bond tranche, but Banco Central Hispanoamericano came out with the largest single share of the overall Pta715bn operation by being allocated 44 per cent of two syndicated bank loans making up the rest of the total.

The nuclear debt, the bulk of which has been carried until now by the private-sector Iberdrola group, resulted from a government decision in 1983 to suspend the development of nuclear power plants under construction.

The four utilities affected by the moratorium are to receive up to 3.54 per cent annually of the billings for electricity consumption in compensation for the financing costs incurred. These cash-flow receivables are used to back the debt securities auctioned yesterday by the Spanish Treasury. The operation, which carries government guarantees and is zero-risk weighted for capital purposes, is the largest of its kind in Spain and the first securitisation of non-mortgage assets.

The BBV-Morgan Stanley group, which included Bear Stearns and savings banks CajaMadrid and Bilbao Bizkaia Kutxa, won with an offer of 6.7 basis points below three-month peseta Libor.

INTERNATIONAL BONDS

Elsewhere, Crédit Libanais became the first Lebanese bank to access the eurobond market with $60m of three-year bonds priced to yield 330 basis points over Treasuries and 60 basis points above the Lebanese government's outstanding dollar eurobond, which matures a year later. Crédit Libanais is Lebanon's largest bank and is 97 per cent owned by the country's central bank.

Lead Merrill Lynch said the bonds were oversubscribed and traded up after they were freed to trade. "This was a successful test of investor demand for Middle Eastern credits following the Israeli elections," a Merrill Lynch official said.

Some 60 per cent of the bonds were placed with Lebanese retail investors outside Lebanon, with the rest going to Middle Eastern banks and European institutions, he said.

RJB Mining, the UK coal mining company, issued £100m of 1½-year floating-rate notes. Proceeds will be used to repay the deferred consideration owed to the UK government in connection with RJB's acquisition of the English assets of British Coal in 1994. Lead BZW reported strong demand from banks, many of which are familiar with the credit, having participated in a syndicated bank loan for RJB.

National Home Loans, the UK mortgage lender, issued £242.5m of mortgage-backed floating-rate notes through Homeloans, via J.P. Morgan. Another mortgage-backed FRN issue was launched in dollars: $476m for Merrill Lynch unit MLCC Mortgage Investors.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
MLCC Mtg Investors 96-B(a)#‡	475.67	(a1)	100.00R	Oct 2009	0.35R	-	Merrill Lynch
Credit Libanais	60	9.00#	98.156R	Jul 1999	1.50R	+320(6¾%-99)	Merrill Lynch International
SCEB(b)‡	50	(b1)	100.20	Jul 2001	0.30	-	DKB International
STERLING							
Homeloans (No 2) Cls A1(c)‡	70	(c2,a)	100.00	May 2029	0.10	-	JP Morgan Securities
Homeloans (No 2) Cls A2(c)‡	141.25	(c4,a)	100.00	May 2028	0.20	-	JP Morgan Securities
Acres (No 2), Class A(d)‡	96.45	(d1)	99.94R	Mar 2001	0.125R	-	Lehman Brothers
RJB Mining‡	100	(e)	99.98	Dec 1997	0.20	-	Barclays de Zoete Wedd
GUILDERS							
Crédit Local de France	125	(f)	99.67R	Aug 2002	0.275R	+11(6¾%-02)	Generale Bank
LUXEMBOURG FRANCS							
Commerzbank(a)	3bn	6.25	102.75	Dec 2002	1.875	-	BIL/Kredietbank

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡Unlisted. [illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	106.8520	–	8.95	9.08	8.82
Austria		6.250	05/06	96.5800	−0.240	6.63	6.52	6.46
Belgium		7.000	05/06	100.7800	−0.080	6.89	6.80	6.71
Canada *		7.000	12/06	93.3100	−0.140	7.95	7.96	7.84
Denmark		8.000	03/06	102.7600	−0.020	7.58	7.50	7.45
France	BTAN	5.750	03/01	99.8750	−0.130	5.77	5.54	5.80
	OAT	7.250	04/06	104.3100	−0.080	6.63	6.58	6.48
Germany Bund		6.250	04/06	97.0900	−0.070	6.66	6.62	6.49
Ireland		8.000	08/06	101.0500	−0.040	7.84	7.81	7.68
Italy		9.500	02/06	100.9500	+0.170	9.35†	9.44	9.58
Japan	No 140	6.600	06/01	118.8974	−0.220	2.36	2.28	2.43
	No 182	3.000	09/05	98.0505	−0.240	3.28	3.20	3.38
Netherlands		6.000	01/06	95.8800	−0.180	6.59	6.51	6.37
Portugal		11.875	02/05	117.6100	+0.510	8.88	8.95	9.04
Spain		8.800	04/06	98.2200	+0.340	9.06	9.18	9.20
Sweden		6.000	02/05	85.7930	+0.160	8.37	8.43	8.47
UK Gilts		8.000	12/00	102-13	+2/32	7.35	7.33	7.42
		7.500	12/06	95-25	–	8.10	8.08	8.06
		9.000	10/08	105-30	−1/32	8.22	8.19	8.16
US Treasury *		6.875	05/06	99-08	−5/32	6.98	7.05	6.71
		6.000	02/26	86-05	−6/32	7.13	7.20	6.92
ECU (French Govt)		7.500	04/05	102.6100	−0.040	7.09	7.03	6.94

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.36
Prime rate	8¼	Two month	-	Three year	6.55
Broker loan rate	7	Three month	5.25	Five year	6.78
Fed.funds	5¼	Six month	5.49	10-year	6.98
Fed.funds at intervention	-	One year	5.81	30-year	7.13

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	120.88	120.66	-0.12	120.92	120.56	114,646	147,424
Dec	119.64	119.42	-0.12	119.66	119.36	3,822	15,811
Mar	119.46	119.24	-0.12	119.46	119.20	192	661

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
120	-	-	-	0.08	0.37	0.71
121	0.14	0.49	0.82	0.45	0.80	1.12
122	0.01	0.14	0.41	1.34	1.44	-
123	-	0.04	0.16	-	-	-
124	-	-	0.06	-	-	-

Est. vol. total, Calls 12,882 Puts 13,079. Previous day's open int., Calls 126,287 Puts 137,360.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.81	94.60	-0.18	94.93	94.46	135546	192707
Dec	93.82	93.72	-0.12	93.67	93.62	156	1539

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
9450	0.18	0.63	0.88	0.91	0.08	0.53	0.78	1.69
9500	0.01	0.38	0.61	0.70	0.41	0.78	1.01	1.98
9550	0	0.20	0.41	0.54	0.90	1.10	1.31	2.32

Est. vol. total, Calls 16808 Puts 15721. Previous day's open int., Calls 150235 Puts 177095

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	116.10	115.95	+0.26	116.40	115.87	45084	55468
Dec	115.42	115.23	+0.24	115.42	115.42	33	231

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11550	1.64	2.12	1.19	2.39
11600	1.38	1.86	1.43	2.63
11650	1.13	1.63	1.68	2.90

Est. vol. total, Calls 7749 Puts 1404. Previous day's open int., Calls 82442 Puts 51536

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	99.00	99.04	+0.37	99.25	98.68	77,275	54,248

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-30	105-28	-	105-30	105-24	2454	10417
Sep	104-29	104-25	-0-01	105-00	104-19	38888	111855

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
104	0-51	1-21	1-41	1-55	0-01	0-35	0-55	2-05
105	0-06	0-48	1-06	1-27	0-20	0-62	1-20	2-41
106	0	0-23	0-43	1-05	1-14	1-37	1-57	3-19

Est. vol. total, Calls 2803 Puts 1315. Previous day's open int., Calls 21210 Puts 22920

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.00	89.92	-0.02	90.06	89.80	950	6,533

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	106-27	106-25	–	106-30	106-19	332,851	405,851
Dec	106-10	106-11	+0-03	106-11	106-02	1,202	14,639
Mar	–	105-27	–	–	–	450	2,334

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.23	-	-	118.28	118.10	2823	0
Dec	117.21	-	-	117.26	117.11	522	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jun 20	Day's change %	Wed Jun 19	Accrued interest	xd adj. ytd		Low coupon yield Jun 20	Jun 19	Yr. ago	Medium coupon yield Jun 20	Jun 19	Yr. ago	High coupon yield Jun 20	Jun 19	Yr. ago
1 Up to 5 years (22)	121.87	0.00	121.88	2.66	4.26	5 yrs	7.50	7.48	7.77	7.53	7.52	7.77	7.63	7.62	7.85
2 5-15 years (19)	144.50	−0.03	144.54	2.06	5.64	15 yrs	8.30	8.30	8.08	8.32	8.31	8.10	8.37	8.36	8.21
3 Over 15 years (9)	158.61	−0.03	158.66	2.94	5.43	20 yrs	8.37	8.38	8.09	8.39	8.39	8.11	8.41	8.43	8.21
4 Irredeemables (6)	181.00	0.57	179.98	2.03	6.12	Irred.†	8.36	8.41	8.17						
5 All stocks (56)	140.52	−0.02	140.54	2.50	5.13										

Index-linked							Inflation 5% Jun 20	Jun 19	Yr. ago	Inflation 10% Jun 20	Jun 19	Yr. ago
6 Up to 5 years (1)	197.32	0.00	197.31	1.34	4.43	Up to 5 yrs	2.76	2.75	3.23	1.19	1.18	1.56
7 Over 5 years (11)	186.11	0.12	185.90	1.60	1.81	Over 5 yrs	3.84	3.85	3.60	3.62	3.63	3.40
8 All stocks (12)	186.24	0.12	186.03	1.59	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jun 20	Jun 19	Jun 18	Jun 17	Jun 14	Yr ago	High*	Low*
Govt. Secs. (UK)	92.00	92.03	91.92	92.20	92.04	93.53	98.34	91.59
Fixed Interest	111.42	111.39	111.38	111.40	111.68	112.21	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13
Gilt Edged bargains	77.0	102.0	55.2	77.3	75.9
5-day average	77.5	77.7	74.3	78.1	81.2

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)							
Treas 2pc 1996		0.91	5.82	219⅝	—	219⅝	210⅝
Conversion 10pc 1996		9.84	5.79	101⅝	—	104⅝	101⅝
Treas 13¼pc 1997‡‡		12.70	5.78	104⅜	—	108⅞	104⅜
Exch 10½pc 1997		10.19	5.72	103⅛	—	105⅞	103⅛
Treas Cnv 7pc 1997‡‡		6.92	5.82	101⅛	—	101⅞	98⅞
Treas 7½pc 2006‡‡		7.84	8.14	95⅝	−⅛	101⅞	94⅞
Treas 7¾pc 2006‡‡		7.98	8.14	97⅛	−⅛	103¼	94⅞
Treas 8pc 2002-6‡‡		8.04	8.10	99½	−⅛	104⅞	95⅞
Treas 11¾pc 2003-7		9.85	7.91	119⅜	−⅛	125⅜	117⅛
Treas 8½pc 2007 ‡‡		8.32	8.18	102⅛	−⅛	108⅞	98⅛
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	1.22	2.77	113⅛	—	113⅛	110⅝
2½pc '01	(78.3)	3.13	3.69	179⅞	+⅛	180⅛	173⅞
2½pc '03	(78.8)	3.35	3.78	174⅛	+⅛	176⅛	168⅞
4⅛pc '04‡‡	(135.6)	3.39	3.77	114¼	+⅛	116⅞	112⅞
2pc '06	(69.5)	3.49	3.79	182⅛	+⅛	185⅞	176¾
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95⅝	95⅞	-⅛	7.33
ABN Amro Bank 7¼ 05	1000	98⅛	98½	-⅛	7.58
African Dev Bk 7½ 23	500	93½	94	-⅛	7.96
Alberta Province 7⅞ 98	1000	101⅞	102⅛	-⅛	6.72
Asian Dev Bank 6¼ 05	750	93¼	93¾	-⅛	7.41
Sweden 8 97	2500	105	105¼	-⅛	4.15
United Kingdom 7¼ 97	5500	104	104⅛	-⅛	4.01
Volkswagen Intl Fin 7 03	1000	101⅝	102	-⅛	6.70
World Bank 0 15	2000	29¼	29⅝	-⅛	6.51
World Bank 5⅞ 03	3000	98	98⅛	-⅛	6.21
Abbey Natl Treasury 8 03 £	1000	99⅛	99⅞	-⅛	8.16
British Land 8⅞ 23 £	150	89⅛	89½		10.30
Denmark 6¾ 98 £	800	100	100⅛		6.73
Depfa Finance 7⅛ 03 £	500	94	94¼		8.23
EIB 8 03 £	1000	100⅛	100⅜	-⅛	7.97
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. [illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

German M3 fails to provide lead to markets

By Philip Gawith

The interest rate logjam in the US, Germany and Japan yesterday remained unresolved with the release of German M3 data failing to provide the fresh trading impetus the market was looking for.

Although the M3 figure came in slightly above expectations, it was not sufficient to have much impact on exchange rates which were confined to fairly narrow ranges. The dollar closed in London at DM1.5244, from DM1.5207. Against the yen it finished at Y108.240, from Y108.135.

In an otherwise quiet trading day, there was some excitement when a rumour circulated about the departure from the Japanese Ministry of Finance of Mr Eisuke Sakakibara, the official most closely linked to a strong dollar policy.

Apart from German M3, the main interest in Europe involved the Czech koruna, following the Czech National Bank's surprise decision to announce an aggressive tightening of monetary policy.

The largest price movement involved the Swedish crown which rose to a 3½ year high against the D-Mark after the Riksbank cut the interest rate corridor by 75 basis points. It reached an intra-day high of SKr4.333, before finishing at SKr4.345, from SKr4.365.

Sterling was confined to very narrow ranges, finishing at DM2.35, from DM2.3476. Against the dollar it closed at $1.5416, from $1.5438.

■ The 10.5 per cent growth in German May M3 was sufficiently above market consensus expectations to make any near-term cut in the repo rate unlikely. But analysts at Salomon Brothers in London said the low prospective public sector wage agreement should encourage Bundesbank confidence about inflation prospects and improvement in the public sector deficit.

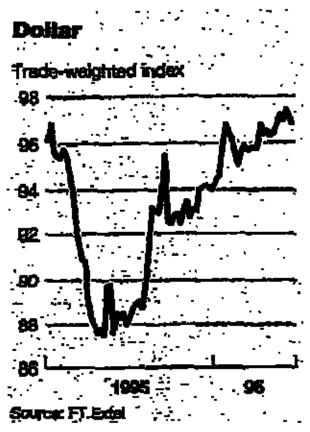
They added that the possibility of a single-digit M3 figure in June might provide the prelude for a small fall in the repo rate ahead of the Bundesbank's summer recess.

Some observers believe the Bundesbank wants to keep the repo weapon in reserve in order to combat unwanted bouts of D-Mark strength.

Arguably more noteworthy for the dollar were developments in Japan where Mr Sakakibara, at a press conference repeated the party-line on the dollar – that current foreign exchange levels reflect economic fundamentals, and show a strong chance of a higher dollar.

More noteworthy were rumours of his resignation. Mr David De Rosa, a director of foreign exchange at SBC Warburg in New York, said: "The market has Bank of Japan policy under the microscope with respect to a pre-emptive strike against inflation through higher interest rates." He noted that there was "tremendous volatility in dollar/yen whenever there is a rumour that Japanese authorities might raise rates."

■ Pound in New York		
Jun 20	—Latest—	— Prev. close —
£ spot	1.5420	1.5440
1 mth	1.5415	1.5436
3 mth	1.5418	1.5435
1 yr	1.5484	1.5445



Source: FT Extel

Mr Sakakibara said Japan was not in a situation to change monetary policy, but this statement was overwhelmed for a while by the perception that if he was going, this could mark the end of Japan's preference for a strong dollar policy.

■ The market was doubly surprised by the Czech National Bank. First, although a tightening in minimum reserve requirements was expected, the market thought the rate would rise to around 10 per cent, from 8½ per cent. Instead it rose to 11½ per cent.

The second surprise was that the authorities then went on to raise the official rates, with the discount rate going to 10½ per cent, from 9½ per cent, and the Lombard rate moving to 14 per cent from 12½ per cent.

Mr Steve Jennions, analyst at Banque Indosuez in London, said the CNB's action appeared to be a pre-emptive strike against the prospect of higher inflation.

Currency markets responded positively, if cautiously, to the initiative which should increase the Czech koruna's yield differential over the koruna basket. The market index went from around 10 basis points under the mid-rate to about 30 basis points above it - a move of only 0.4 per cent.

The koruna has depreciated by about 5 per cent against the dollar this year, while appreciating by around 2 per cent against the D-Mark.

Analysts at UBS in London expect this pattern to continue for the rest of the year, with the koruna weakening to Kč27.8 against the dollar, while staying unchanged against the D-Mark.

POUND SPOT FORWARD AGAINST THE POUND

Jun 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.5892	+0.017	301 - 483	16.5484	16.4910	16.508	2.3	16.433	2.8	-	-	104.7
Belgium	(BFr)	48.3800	+0.0483	168 - 034	48.4040	48.1870	48.255	2.6	48.045	2.8	47.043	2.7	108.5
Denmark	(DKr)	9.0500	+0.0097	461 - 539	9.0543	9.0244	9.0357	1.9	9.0067	1.9	8.8848	1.8	107.3
Finland	(FM)	7.1473	-0.016	369 - 546	7.1630	7.1330	7.1429	0.7	7.1349	0.7	-	-	83.9
France	(FFr)	7.9678	+0.0039	649 - 706	7.9826	7.9498	7.9549	1.9	7.93	1.9	7.8174	1.9	109.4
Germany	(DM)	2.3500	+0.0024	488 - 512	2.3524	2.3429	2.3453	2.4	2.3342	2.7	2.2868	2.6	108.2
Greece	(Dr)	371.495	+0.196	321 - 669	371.670	370.541	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9719	-0.0003	711 - 726	0.9727	0.9698	0.9714	0.6	0.9702	0.7	0.9657	0.6	99.3
Italy	(L)	2366.74	-2.22	574 - 774	2376.22	2360.79	2373.29	-3.3	2384.44	-3.0	2417.89	-2.2	76.5
Luxembourg	(LFr)	48.3800	+0.0483	168 - 034	48.4040	48.1870	48.255	2.6	48.045	2.8	47.645	1.5	108.5
Netherlands	(Fl)	2.6329	+0.0012	314 - 344	2.6383	2.6274	2.6263	3.0	2.613	3.0	2.5584	2.9	108.6
Norway	(NKr)	10.0575	+0.0049	490 - 661	10.0690	9.9871	10.049	1.0	10.032	1.0	9.9485	1.1	98.3
Portugal	(Es)	241.476	+0.026	337 - 615	241.625	239.736	241.901	-2.1	242.605	-2.2	-	-	94.7
Spain	(Pta)	197.864	-0.144	751 - 977	198.173	197.583	198.124	-1.6	198.639	-1.6	200.039	-1.1	80.5
Sweden	(SKr)	10.2115	-0.0357	014 - 215	10.2421	10.1685	10.2118	0.0	10.2119	0.0	10.2098	0.0	93.5
Switzerland	(SFr)	1.9343	+0.0019	331 - 356	1.9398	1.9306	1.9298	3.1	1.9184	3.3	1.8709	3.3	110.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.7
Ecu	-	1.2416	-0.0001	410 - 422	1.2425	1.2380	1.2403	1.3	1.2373	1.4	1.224	1.4	-
SDR†	-	1.06885	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5395	-0.0022	389 - 400	1.5447	1.5385	-	-	-	-	-	-	-
Brazil	(R$)	1.5455	-0.0006	449 - 460	1.5477	1.5431	-	-	-	-	-	-	-
Canada	(C$)	2.1079	-0.003	070 - 088	2.1119	2.1054	2.1072	0.4	2.1035	0.8	2.0955	0.6	84.3
Mexico	(New Peso)	11.6353	-0.019	294 - 421	11.6430	11.5800	-	-	-	-	-	-	-
USA	($)	1.5416	-0.0022	412 - 420	1.5452	1.5400	1.5412	0.3	1.5407	0.2	1.5425	-0.1	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.9545	-0.0036	534 - 556	1.9605	1.9524	1.957	-1.6	1.9621	-1.6	1.9879	-1.7	93.2
Hong Kong	(HK$)	11.9326	-0.0175	289 - 366	11.9598	11.9219	11.9247	0.8	11.9131	0.7	11.8693	0.3	-
India	(Rs)	53.8019	-0.0768	765 - 242	54.1900	54.0310	-	-	-	-	-	-	-
Israel	(Shk)	5.0341	+0.0029	285 - 397	5.0516	5.0219	-	-	-	-	-	-	-
Japan	(Y)	166.863	-0.076	759 - 966	166.970	166.100	166.138	5.2	164.648	5.3	158.233	5.2	135.2
Malaysia	(M$)	3.8480	-0.0027	442 - 478	3.8522	3.8401	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2729	-0.0124	715 - 743	2.2811	2.2715	2.2779	-2.6	2.2873	-2.5	2.3212	-2.1	108.6
Philippines	(Peso)	40.3900	-0.0422	024 - 775	40.4775	40.3020	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7818	-0.0063	800 - 836	5.7950	5.7784	-	-	-	-	-	-	-
Singapore	(S$)	2.1714	-0.0012	700 - 727	2.1743	2.1679	-	-	-	-	-	-	-
South Africa	(R)	6.7221	+0.0011	165 - 277	6.7332	6.6975	-	-	-	-	-	-	-
South Korea	(Won)	1243.69	+9.96	298 - 439	1246.20	1231.69	-	-	-	-	-	-	-
Taiwan	(T$)	42.6114	-0.0577	926 - 301	42.7031	42.5748	-	-	-	-	-	-	-
Thailand	(Bt)	38.0334	-0.0248	078 - 589	38.0940	38.9910	-	-	-	-	-	-	-

† Rates for Jun 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.7286	+0.0283	255 - 317	10.7340	10.6950	10.7081	2.2	10.6671	2.3	10.4836	2.3	104.7
Belgium	(BFr)	31.3700	+0.076	500 - 900	31.3950	31.2550	31.315	2.1	31.2	2.2	30.66	2.3	106.3
Denmark	(DKr)	5.8705	+0.0146	685 - 715	5.8733	5.8501	5.863	1.5	5.848	1.5	5.777	1.6	108.7
Finland	(FM)	4.6363	-0.0038	327 - 398	4.6541	4.6303	4.6298	1.7	4.6178	1.6	4.5723	1.4	83.1
France	(FFr)	5.1686	+0.0089	670 - 685	5.1795	5.1537	5.1616	1.6	5.1473	1.6	5.0795	1.7	108.3
Germany	(DM)	1.5244	+0.0037	240 - 248	1.5255	1.5191	1.5219	2.0	1.5161	2.2	1.4879	2.4	107.7
Greece	(Dr)	240.980	+0.215	930 - 030	241.250	240.030	242.655	-8.3	246.055	-8.5	259.96	-7.9	66.7
Ireland	(I£)	1.5863	-0.0017	855 - 870	1.5895	1.5845	1.5869	-0.4	1.5877	-0.4	1.5793	0.4	-
Italy	(L)	1535.25	+0.75	500 - 550	1541.50	1528.10	1540	-3.7	1548.15	-3.4	1570.5	-2.3	76.1
Luxembourg	(LFr)	31.3700	+0.076	500 - 900	31.3950	31.2550	31.317	2.0	31.2105	2.0	30.73	2.0	106.3
Netherlands	(Fl)	1.7079	+0.0032	074 - 084	1.7121	1.7028	1.7046	2.4	1.6974	2.4	1.6657	2.5	106.2
Norway	(NKr)	6.5241	+0.0125	206 - 273	6.5409	6.4700	6.5211	0.6	6.5156	0.5	6.4791	0.7	97.6
Portugal	(Es)	156.640	+0.24	590 - 690	156.750	155.350	156.865	-2.4	157.345	-2.3	159.69	-1.9	94.8
Spain	(Pta)	128.350	+0.09	310 - 390	128.600	128.090	128.8	-3.3	129.03	-2.1	130.57	-1.7	80.1
Sweden	(SKr)	6.6230	-0.0144	181 - 287	6.6506	6.5995	6.6349	-2.0	6.6524	-1.7	6.6944	-1.1	89.9
Switzerland	(SFr)	1.2548	+0.003	543 - 552	1.2555	1.2506	1.2512	3.4	1.2438	3.5	1.2103	3.5	110.2
UK	(£)	1.5416	-0.0022	412 - 420	1.5452	1.5400	1.5412	0.3	1.5407	0.2	1.5425	-0.1	85.4
Ecu	-	1.2416	-0.0018	413 - 419	1.2453	1.2408	1.2424	-0.7	1.244	-0.8	1.2529	-0.9	-
SDR†	-	0.69290	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0001	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0025	+0.0009	024 - 026	1.0026	1.0021	-	-	-	-	-	-	-
Canada	(C$)	1.3674	-	671 - 676	1.3680	1.3670	1.3672	0.1	1.3675	0.0	1.3703	-0.2	83.5
Mexico	(New Peso)	7.5475	+0.023	450 - 500	7.5500	7.5450	7.709	-25.7	7.894	-18.4	9.0575	-20.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2677	-0.0005	674 - 682	1.2688	1.2668	1.2697	-1.9	1.2732	-1.7	1.2919	-1.9	94.4
Hong Kong	(HK$)	7.7405	-0.0003	400 - 410	7.7410	7.7400	7.7412	-0.1	7.743	-0.1	7.77	-0.4	-
India	(Rs)	34.9000	-	000 - 000	35.1000	34.5700	35.05	-5.2	35.355	-5.2	36.825	-5.5	-
Israel	(Shk)	3.2655	+0.0085	627 - 682	3.2748	3.2580	-	-	-	-	-	-	-
Japan	(Y)	108.240	+0.105	200 - 280	108.280	107.880	107.795	4.9	106.895	5.0	103.155	4.7	135.8
Malaysia	(M$)	2.4948	+0.0018	943 - 953	2.4955	2.4917	2.4857	-0.4	2.5018	-1.1	2.5253	-1.2	-
New Zealand	(NZ$)	1.4743	-0.0059	738 - 749	1.4762	1.4736	1.4774	-2.5	1.4832	-2.4	1.5078	-2.3	-
Philippines	(Peso)	26.2000	+0.01	500 - 500	26.2500	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.756	-0.1	-
Singapore	(S$)	1.4085	+0.0012	080 - 090	1.4090	1.4073	1.405	3.0	1.399	2.7	1.3735	2.5	-
South Africa	(R)	4.3605	+0.007	580 - 630	4.3680	4.3490	4.408	-13.1	4.498	-12.6	4.8365	-10.9	-
South Korea	(Won)	806.750	+7.6	500 - 000	807.000	798.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.6410	+0.002	360 - 460	27.6460	27.6360	27.646	-0.2	27.651	-0.1	-	-	-
Thailand	(Bt)	25.3200	+0.02	100 - 300	25.3300	25.3050	25.4187	-4.7	25.6225	-4.8	26.505	-4.7	-

† SDR rate per $ for Jun 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 19: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

June 20	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3⅛	3⅛	3⅛	3¼	7.00	2.50	-
week ago	3¼	3⅛	3⅛	3⅛	3¼	7.00	2.50	-
France	3⅞	3⅞	3⅞	4	4⅛	3.60	-	5.60
week ago	3¾	3⅞	3⅞	3⅞	4	3.60	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅞	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅞	4.50	2.50	3.30
Ireland	5⅞	5⅝	5⅝	5⅝	5⅞	-	-	6.25
week ago	5⅞	5⅝	5⅝	5¾	5⅞	-	-	6.25
Italy	8⅞	8⅞	8⅞	8¾	8¾	-	9.00	9.30
week ago	10⅛	8⅞	8⅞	8⅞	8¾	-	9.00	9.35
Netherlands	2⅞	2⅞	2⅞	2⅞	3⅛	-	3.00	3.30
week ago	2⅝	2⅞	2⅞	3	3⅛	-	3.00	3.30
Switzerland	2⅛	2⅛	2⅛	2⅛	2½	5.00	1.50	-
week ago	1⅞	2¼	2⅛	2⅛	2¼	5.00	1.50	-
US	5⅜	5⅜	5⅝	5¾	6⅛	-	5.00	-
week ago	5⅜	5⅜	5⅝	5¾	6⅛	-	5.00	-
Japan	½	½	½	½	1⅛	-	0.50	-
week ago	⅜	½	½	½	1⅛	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅝	5⅝	5¾	6⅛	-	-	-
week ago	-	5⅜	5⅝	5⅞	6¼	-	-	-
US Dollar CDs	-	5.01	5.23	5.44	5.80	-	-	-
week ago	-	5.01	5.20	5.43	5.67	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅜	-	-	-
week ago	-	4¼	4⅛	4⅛	4⅜	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅝	3⅞	-	-	-
week ago	-	3⅜	3⅜	3⅝	3⅞	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ OTHER CURRENCIES

Jun 20	£	$
Czech Rp	42.6912 - 42.7442	27.7000 - 27.7200
Hungary	232.641 - 230.637	148.650 - 149.700
Iran	4626.00 - 4623.80	3000.00 - 3000.00
Kuwait	0.4619 - 0.4623	0.2997 - 0.2998
Poland	4.1944 - 4.1962	2.7160 - 2.7200
Russia	7819.80 - 7817.94	5068.00 - 5070.00
UAE	5.6607 - 5.6639	3.6729 - 3.6731

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.79	95.75	+0.01	95.81	95.70	40,318	62,982
Dec	95.61	95.55	-0.03	95.63	95.51	13,458	13,458
Mar	95.39	95.34	-0.02	95.41	95.30	5,287	24,408

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.57	96.52	-0.06	96.58	96.49	48267	217766
Dec	96.32	96.25	-0.06	96.34	96.21	65159	204338
Mar	95.99	95.91	-0.07	96.03	95.86	57575	186830
Jun	95.62	95.52	-0.07	95.65	95.46	28750	109016

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.11	92.06	+0.06	92.14	92.01	18706	59636
Dec	92.40	92.31	+0.07	92.40	92.27	9128	33171
Mar	92.40	92.38	+0.06	92.40	92.31	4290	17582
Jun	92.28	92.23	+0.06	92.28	92.20	1198	9624

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.26	97.24	-0.03	97.27	97.12	11847	39433
Dec	97.08	97.08	-0.01	97.08	96.96	4184	17857
Mar	96.80	96.84	+0.02	96.85	96.74	459	7645
Jun	96.47	96.54	+0.01	96.49	96.47	72	383

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.02	99.03	-0.04	99.03	99.01	709	n/a
Dec	98.64	98.64	-0.04	98.65	98.61	2358	n/a
Mar	98.31	98.32	-0.04	98.32	98.30	171	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.52	95.49	-0.01	95.53	95.45	1673	6551
Dec	95.37	95.32	-0.02	95.38	95.30	550	3847
Mar	95.14	95.10	-0.02	95.15	95.08	110	2972
Jun	94.83	94.78	-0.02	94.84	94.77	182	2252

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.71	16.48	4.859	2.010	4895	5.445	20.80	499.4	409.0	21.11	3.999	2.068	4.359	3.189	345.1	2.568
Denmark	(DKr)	53.44	10	8.804	2.597	1.074	2615	2.909	11.12	266.9	218.6	11.28	2.137	1.105	2.329	1.704	184.4	1.372
France	(FFr)	60.69	11.36	10	2.949	1.220	2971	3.304	12.63	303.1	248.2	12.81	2.427	1.255	2.646	1.935	209.5	1.559
Germany	(DM)	20.58	3.851	3.391	1	0.414	1007	1.120	4.281	102.8	84.17	4.345	0.823	0.426	0.897	0.656	71.02	0.529
Ireland	(I£)	49.75	9.311	8.198	2.418	1	2435	2.709	10.35	248.5	208.5	10.50	1.990	1.029	2.169	1.586	171.7	1.278
Italy	(L)	2.043	0.382	0.337	0.099	0.041	100.	0.111	0.425	10.20	8.357	0.431	0.082	0.042	0.089	0.065	7.051	0.052
Netherlands	(Fl)	18.37	3.437	3.026	0.893	0.369	899.0	1	3.821	91.72	75.12	3.878	0.735	0.380	0.801	0.586	63.39	0.472
Norway	(NKr)	48.07	8.996	7.920	2.336	0.966	2353	2.617	10	240.1	196.6	10.15	1.922	0.994	2.095	1.533	165.9	1.235
Portugal	(Es)	20.02	3.747	3.299	0.973	0.402	980.1	1.090	4.166	100.	81.90	4.228	0.801	0.414	0.873	0.639	69.11	0.514
Spain	(Pta)	24.45	4.575	4.028	1.188	0.491	1197	1.331	5.086	122.1	100.	5.162	0.978	0.506	1.066	0.780	84.38	0.628
Sweden	(SKr)	47.37	8.864	7.804	2.302	0.952	2318	2.579	9.853	236.5	193.7	10	1.894	0.979	2.065	1.510	163.5	1.216
Switzerland	(SFr)	25.01	4.679	4.120	1.215	0.503	1224	1.361	5.202	124.9	102.3	5.279	1	0.517	1.090	0.797	86.30	0.642
UK	(£)	48.36	9.050	7.968	2.350	0.972	2367	2.633	10.06	241.5	197.8	10.21	1.934	1	2.108	1.542	166.9	1.242
Canada	(C$)	22.94	4.293	3.780	1.115	0.461	1123	1.249	4.772	114.6	93.83	4.843	0.917	0.474	1	0.731	79.17	0.589
US	($)	31.36	5.869	5.167	1.524	0.630	1535	1.708	6.524	156.6	128.3	6.621	1.254	0.648	1.367	1	108.2	0.805
Japan	(Y)	28.98	5.422	4.774	1.408	0.582	1418	1.578	6.028	144.7	118.5	6.117	1.159	0.599	1.263	0.924	100.	0.744
Ecu		38.94	7.287	6.415	1.892	0.783	1906	2.120	8.100	194.4	159.3	8.221	1.557	0.805	1.697	1.242	134.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6513	0.6593	-0.0018	0.6617	0.6587	22,772	53,532
Dec	0.6639	0.6633	-0.0017	0.6639	0.6632	46	1,872
Mar	-	0.6692	-	-	-	1	23

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9380	0.9359	-0.0020	0.9398	0.9356	26,083	65,767
Dec	-	0.9490	-0.0006	-	0.9490	11	3,605
Mar	-	0.9610	-0.0003	-	0.9610	41	143

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8039	0.8023	-0.0016	0.8042	0.8015	11,620	35,048
Dec	-	0.8085	-0.0016	-	0.8085	2	1,115
Mar	-	0.8150	-0.0017	-	0.8150	9	58

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5430	1.5410	-0.0020	1.5430	1.5392	5,982	40,595
Dec	-	1.5410	-0.0026	-	1.5410	8	118
Mar	-	1.5442	-	-	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jun 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¹¹⁄₁₆ - 4	5¾ - 5½	5¾ - 5⅝	5⅞ - 5¾	5¹³⁄₁₆ - 5¹¹⁄₁₆	6⅜ - 6¼
Sterling CDs	-	-	5¾ - 5¹¹⁄₁₆	5¾ - 5¹¹⁄₁₆	5¾ - 5¹¹⁄₁₆	6⅛ - 5¹⁵⁄₁₆
Treasury Bills	-	-	5¹¹⁄₁₆ - 5⅝	5¹³⁄₁₆ - 5¹¹⁄₁₆	-	-
Bank Bills	-	-	5¹¹⁄₁₆ - 5⅝	5⅝ - 5¹⁹⁄₃₂	5⅝ - 5¹⁹⁄₃₂	-
Local authority deps.	5¹³⁄₁₆ - 5¹¹⁄₁₆	5¾ - 5⅝	5¹³⁄₁₆ - 5¹¹⁄₁₆	5¹³⁄₁₆ - 5¾	5¹³⁄₁₆ - 5¾	6⅛ - 6
Discount Market deps	5¾ - 4	5¹¹⁄₁₆ - 5⅜	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Jun 14, 5.6058pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1996. Agreed rate for period Jun 26, 1996 to Jul 23, 1996, Schemes II & III 7.35pc. Reference rate for period May 1, 1996 to May 31, 1996, Schemes IV & V 6.104pc. Finance House Base Rate 6.5pc from Jun 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.19	94.18	-	94.22	94.18	12569	85507
Dec	93.99	93.98	+0.01	94.01	93.95	11022	78833
Mar	93.61	93.59	-	93.63	93.57	6965	57350
Jun	93.16	93.13	-0.01	93.17	93.12	3498	41295
Sep	92.79	92.74	-0.01	92.79	92.72	1024	28193

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9400	0.23	0.22	0.18	0.05	0.24	0.59
9425	0.06	0.11	0.10	0.15	0.38	0.76
9450	0.02	0.05	0.06	0.34	0.57	0.97

Est. vol. total, Calls 250 Puts 575. Previous day's open int., Calls 113608 Puts 80362

EMS EUROPEAN CURRENCY UNIT RATES

Jun 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.160	-0.198	-0.82	2.13	5
Netherlands	2.15214	2.14428	+0.00062	-0.37	1.67	3
Ireland	0.792214	0.791408	-0.001123	-0.10	1.40	1
Belgium	39.3960	39.3639	+0.0222	-0.08	1.38	1
Germany	1.91007	1.91310	+0.00128	0.16	1.13	-2
Austria	13.4383	13.4639	+0.0084	0.19	1.10	-1
Portugal	195.792	196.659	-0.087	0.44	0.85	-3
Denmark	7.28580	7.36735	+0.00509	1.12	0.17	-8
France	6.40608	6.49997	+0.00041	1.29	0.00	-11
NON ERM MEMBERS						
Greece	292.867	302.517	-0.244	3.30	-1.94	-
Italy	2106.15	1926.79	-4.51	-8.52	10.72	-
UK	0.786652	0.814772	-0.000601	3.57	-2.20	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.510	3.32	3.56	3.82	0.11	0.27	0.51
1.520	2.51	2.77	3.08	0.22	0.48	0.77
1.530	1.68	2.13	2.51	0.38	0.78	1.11
1.540	1.03	1.54	1.91	0.67	1.18	1.54
1.550	0.56	1.06	1.43	1.20	1.70	2.06

Previous day's vol., Calls 17,035 Puts 28,056. Prev. day's open int., Calls 160,399 Puts 125,903

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.16	94.15	-	94.16	94.14	69,309	395,522
Dec	93.77	93.78	-	93.78	93.75	122,900	427,779
Mar	93.56	93.56	-	93.56	93.53	115,948	282,404

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.69	94.69	-	94.69	94.67	338	5,738
Dec	94.38	94.38	-0.01	94.38	94.38	164	1,645
Mar	-	94.15	-	-	-	1	7

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	Aug	Sep	Dec	PUTS Jul	Aug	Sep	Dec
9650	0.08	0.11	0.14	0.10	0.06	0.09	0.12	0.35
9675	0.01	0.03	0.04	0.04	0.24	0.26	0.27	0.54
9700	0	0	0.01	0.02	0.48	0.48	0.49	0.77

Est. vol. total, Calls 11062 Puts 6162. Previous day's open int., Calls 249657 Puts 260420

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9725	0.15	0.17	0.16	0.16	0.34	0.57
9750	0.06	0.08	0.09	0.32	0.50	0.75

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9042 Puts 4925

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
9200	0.31	0.58	0.73	0.25	0.27	0.37
9225	0.18	0.44	0.55	0.37	0.38	0.44
9250	0.10	0.30	0.44	0.54	0.48	0.58

Est. vol. total, Calls 2225 Puts 675. Previous day's open int., Calls 33059 Puts 15307

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	7.00	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	6.00	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	6.00	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	• Mount Credit Corp	6.00		
Cyprus Popular Bank	6.00	NatWestminster	5.75		
		●Rea Brothers	5.75		

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• In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Hydro Intl	30	–	73	30	3.84	–	Φ
IMI	388	-2	395	298	1,286	3.9	22.4
Ipeco	78	–	97	76	21.5	5.8	17.3
Johnson Matthey	628	–	*654	510	1,357	3.0	19.1
Jones & Shipman	57	–	60	32	14.6	–	11.9
Kelsey Inds	480xd	–	635	410	15.2	6.1	9.7
Kobe Steel Y	185¼	+3	216	144½	5,267	–	–
L Gardiner	173	–	178	125	19.4	3.9	13.4
Lincat	227	–	290	226	21.6	4.5	12.6
Locker (T)	37	+1	*37	23¾	29.8	2.3	Φ
ML Hldgs	37	-1	47½	33	61.3	4.4	12.1
MS Intl	32	–	39	21	8.77	2.3	–
Mackie Intl	305	–	385	283	29.6	4.6	10.0
Manganese Bz	321	-1	325	145	65.9	2.1	14.0
McKechnie	470xd	–	524	395	462.5	4.5	14.1
Meggitt	100xd	-½	108½	71½	217.2	4.9	20.3
Metalrax	114	–	*118	93¾	128.4	4.0	18.6
Metsec	108xd	–	138	88	18.4	3.9	14.1
Molins	983	-5	1037	668	335.2	2.5	Φ

ENGINEERING - Cont.

	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Morgan Crucible	435½xd	+1½	447	338	981.6	4.0	17.3
7½pc Cv Rd Pf	177xd	–	178	143	63.1	5.4	–
Morris Ashby	286	–	318	243	34.3	3.1	14.9
Neepsend	48	–	55	40	17.1	4.4	9.5
NMI Intl	18	–	29	12	13.8	–	Φ
Optometrics	19	–	28	11	1.89	–	–
Powerscreen	477	+3	481	318	424.1	2.4	7.0
Precoat Int'l	208	+10	203	135	29.8	4.4	16.0
Prospect Inds	5½	-¼	11¼	4	16.5	2.8	–
Protean	270	–	275	233	112.3	3.1	Φ
Quadrastatic	285xd	-4	299	180	140.5	3.8	16.6
Quadrant	15	–	28	14½	8.82	2.1	41.9

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Western Metals A$	30½	-1	47½	22¼	44.7	–	–
Western Mining A$	474¼	+6½	519¼	344	5,250	2.2	27.3
Willoughby's A$	780	–	780	95	8.58	1.7	26.3
Ptd	119	–	118	60	7.28	2.3	Φ
Winkelhaak R	£9½	-⅜	£7½	£4½	80.6	2.8	29.8
World Fds IE	4¾	-½	6¼	1	4.26	–	–
Zambia Copper $80	40½	–	48	30	49.7	–	–
Zandpan R	40	–	48	28	82.1	6.3	Φ

FOOD PRODUCERS

	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Acatos & Hutch	278xd	-1	284	205	120.1	4.0	22.8
Albert Fisher	47½xd	+½	55	43½	338.5	9.9	11.8
Anglo-East	133	–	*140	103	55.9	2.5	7.7
Assoc Brit Foods	388	-2	*428	329½	3,474	2.9	13.7
Avonmore IE	173	–	173	133	129.4	3.1	11.0

FOOD PRODUCERS - Cont.

	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Banks (SC)	322	–	325	195	28.9	4.1	12.2
Barr (AG)	343	–	373	315	66.5	3.0	22.4
Benson Crisps	29	–	32	15	14.9	–	74.4
Bertam	325xd	–	325	265	60.0	1.2	44.8
Booker	380xd	–	445	335	869.2	7.4	14.7

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER FINANCIAL - Cont.

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29½	—	£34½	£28½	1,904	2.8	Φ
Barlow	♣†	£7⅞xd	—	£10⅛	£6⅛	1,478	1.9	—
Gold Flds Prop R.		133xd	—	178	130	13.8	6.7	9.9
Mk Props.		75	—	98	75	8.01	12.7	—
SASOL	♥	668	—	718	475	4,629	1.7	—
SA Brews		£18⅞xd	—	£28¼	£17⅛	5,724	1.9	Φ
Standard Bank	□	£25⅜	+½	£32⅞	£20⅜	3,669	1.5	21.0
Tiger Oats	†	900xd	—	1270	805	1,354	1.9	17.7
Tongaat-Hulett		809xd	—	1247	692	765.8	2.4	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1995
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Atlantis Fund Management (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Dragon Korea Fund Plc

NAV | $8.651

For Dresdner see Ireland (SIB recognised)

Dynamic Pacific Portfolio Fund Plc

NAV | $3.61 | +0.15

For East Asia Hanson see Hanson Asset Mgmt

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (u)

Falcon Market Fund Plc

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (u)

Fresh Korea Fund

GAM Fund Management (Ireland) Ltd

For GT Asset Mgt (Ireland) Ltd see LGT Asset Mgt PLC

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

Mercury Fund Managers IoM Ltd

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM)

Ulster Bank Global Funds

Unibank Scandinavian Funds

ISLE OF MAN (REGULATED)(**)

For ATC Fund Management see Sybra International

AXA Equity & Law Intl Fund Mgrs

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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Credit Investment Funds - Contd.

Nikko Bank (Luxembourg) S.A.

Nikko Capital Management

Nomura Asian Infrastructure Fd SICAV

	Selling Price	Buying Price	+ or -	Yield Gross
NAV	$21.29		+0.09	–

Pacific Basin Growth Fund

Pan-Holding SA

Pictet Group

	Selling Price	Buying Price	+ or -	Yield Gross
Asia Growth	$100.79		–	–

CMR Insurance Co Ltd

Royal Life International - Contd.

Royal Skandia Life Assurance Ltd (2)

Capital International

	Selling Price	Buying Price	+ or -	Yield Gross
Capital Intl. Fund	$165.80		–	–

Cathay Investment Fund Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Dec 31	HK$10.13		–	–

Cazenove Funds Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Indian Phlio Ltd	$10.50		–	–

Chameleon Funds Limited

Chesapeake Capital Corporation

Chescor Indian Investment Company

	Selling Price	Buying Price	+ or -	Yield Gross
Smaller Cos Phlio Jun 14	$4.09		–	–

The China Fund

The China Invest & Development Fd Ltd

Global Asset Management - Contd.

Magnum Funds

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Wells Fargo U.S. IT Fund

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV May 31	$98.29		–	–

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Jun 7	$165.07		–	–

Zulauf Investment Management AG

	Selling Price	Buying Price	+ or -	Yield Gross
Zulauf Europa Ltd NAV Jun 14	DM107.1		–	–

Zweig-DiMenna International Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV May 31	$15202		–	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(*) - 0001 to 1100 hours
(*) - 1101 to 1400 hours
(*) - 1401 to 1700 hours
(*) - 1701 to midnight.
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
0 - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
y - Previous day's price.
§§ - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies
◊ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

Decline in share prices gathers momentum

By Steve Thompson,
UK Stock Market Editor

It was more of the same for London's stock market yesterday, with the leading stocks drifting back in relatively light trading and ignoring the latest takeover developments in the utilities areas of the market.

Burdened by a disappointing performance by the Footsie future, in front of a series of expiries in the derivatives markets, the FT-SE 100 index delivered its third straight decline, closing a net 25.7 lower at 3,727.5.

"The market has been hit by a serious bout of nerves ahead of the expiries tomorrow," said one marketmaker, although he said the market may well stabilise after the action takes place in mid-morning.

The second line stocks mostly fared better than the leaders, with the FT-SE Mid 250 finally 5.3 off at 4,449.8, thanks to widespread gains across the water and electricity sectors as Scottish Power launched an increased offer for Southern Water.

The damage to the FT-SE 100-share index would have been more severe but for a midsession jump in Southern Electric shares after the company said it would allow its offer for Southern Water to lapse. Specialists said Southern would probably shift its sights elsewhere in the sector, with Wessex and Thames the likeliest new targets.

The recs shares were additionally buoyed by recent talk that a couple of US utilities, Florida Light and Power and Southern Co, were circling the UK electricity group. "This time last year it was open season on the recs. This year it is very likely to be open season on the water stocks," an analyst said.

The latest bout of weakness in London came in the wake of a series of mildly disappointing economic news items from home and abroad which left bond markets slightly uneasy.

In the UK the M4 money supply figures for May came in marginally ahead of expectations, up 0.8 per cent on the month and 10 per cent on the year. Coming in the wake of German M3 money supply figures which caused ripples of disappointment and which took the shine off bunds, gilts eased back, but stabilised just before the close to end the day a few ticks down.

Wall Street's good showing overnight and the utilities sector bid helped the Footsie get off to a reasonably firm start and post a rise of some three points.

But that gain was wiped out within minutes and the Footsie never looked capable of clawing its way back from another disappointing performance.

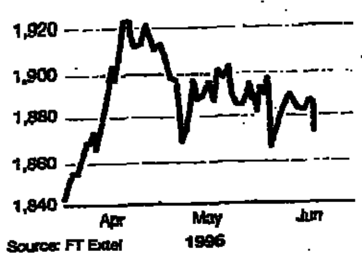
US markets opened yesterday afternoon in pretty good shape, after a series of economic data. But not even an early 10-point rise by the Dow Jones Industrial Average brought any relief to a jaded London market.

Turnover at 6pm totalled 758.2m shares, with non-FT-SE 100 stocks accounting for 58 per cent of the overall figure.

Customer business on Wednesday was a surprisingly high £2.17bn, the best so far this week. Dealers said the figure was boosted considerably by two programme trades.

The session's two newcomers, Pace Micro Technology and City Technology, both made bright debuts.

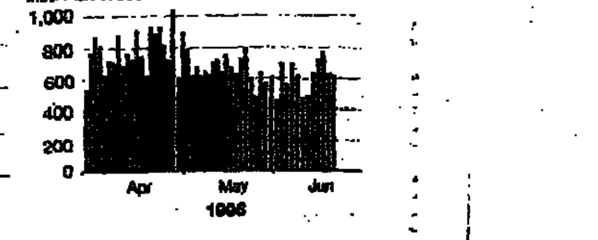
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3727.5	-25.7
FT-SE Mid 250	4449.8	-5.3
FT-SE-A 350	1886.6	-10.5
FT-SE-A All-Share	1873.67	-9.69
FT-SE-A All-Share yield	3.85	3.82
FT Ordinary index	2749.4	-19.5
FT-SE-A Non Fins p/e	16.82	16.87
FT-SE 100 Fut Jun	3723.0	-26.0
10 yr Gilt yield	8.14	8.14
Long gilt/equity yld ratio:	2.18	2.21

Best performing sectors

1 Water .... +0.7
2 Electricity .... +0.6
3 Food Producers .... +0.4
4 Engineering .... +0.3
5 Banks: Merchant .... +0.2

Worst performing sectors

1 Telecommunications .... -1.5
2 Gas Distribution .... -1.3
3 Banks: Retail .... -1.2
4 Electronic & Elec .... -1.1
5 Insurance .... -1.1

Big block trade in Schroders

A big agency cross in Schroders at a substantial premium to the ruling market price produced a buzz of excitement in the financial sector of the market.

Some dealers, pointing to the shrinking of the UK merchant banking scene in recent years, put forward ideas about a potential bidder emerging for Schroders, while others speculated on the merchant bank's ambitious plans to expand its role in the UK and European securities industry.

A block of 750,000 shares changed hands, via the agency cross, at 1350p a share, compared with the then ruling share price of 1320p. The trades boosted turnover in Schroders to 1.6m shares, the third-highest daily total for three years.

Merchant banking specialists were sceptical about the takeover stories, and also about a vague rumour that Schroders was about to merge with Cazenove.

One analyst said the rarity value of substantial blocks of Schroders stock meant that institutions would always be prepared to pay a premium for a decent-sized line of stock. And he pointed out that the Schroder family, which controls around 50 per cent of the shares, would have to agree to any takeover.

Schroders ordinary shares closed 10 higher at 1328p and the non-voters 5 up at 1028p.

Media heavyweight BSkyB fell sharply on reports that Canal Plus, of France, and Bertelsmann, of Germany, were about to relaunch their joint venture talks.

Negotiations between the two and BSkyB, aimed at creating a European digital satellite television alliance, broke up acrimoniously earlier this year. "It is early days yet, and with pan-European operations anything could happen. But it does begin to look as if BSkyB is being pushed to one side," said a media analyst.

The shares came off 14 to 421p to end as the day's worst performing Footsie stock.

Paper group Rexam retreated as analysts met with the management for the half-year trading round-up. The stock, which is due to fall out of the Footsie next month, relinquished 9 at 332p.

Utilities moved back to the centre of the stage as Scottish Power delivered a knock-out punch in its hotly contested battle with Southern Electric for Southern Water.

After much speculation earlier this week, Scottish Power signalled its determination to win control of Southern Water by tabling an increased and final offer of 1050p a share for its target.

Shares in the predator tumbled to a low of 301p on news of the improved offer, but started a mid-morning recovery on a combination of bargain hunting and talk that Southern Electric would soon announce an improved offer for Southern Water. They eventually closed a penny ahead at 312p after trade of 8m.

However, Southern Electric instead surprised the market by announcing it was pulling out of the race. Shares in the group moved steadily ahead following the announcement on a combination of relief that it had pulled out of the bid and speculation that it would soon announce a share buyback. They closed 28 up at 702p, making the stock by far the best performing one in the Footsie.

A further rise was checked by a counter-rumour that Southern Electric may after all be on the look out for another bid target. And another story suggested that Southern could be target of a bid itself. Several US groups were also said to be keeping an eye on the UK utilities sector with a view to launching a takeover.

Bid target Southern Water was the best performer in the FT-SE Mid 250 index after the shares jumped 26 to 1013p. The battle helped boost several other water issues. They included South West Water, up 13 at 656p, Wessex Water, where the shares advanced 7 to 345p, and Yorkshire Water, 9 better at 666p.

The first substantial research document on the Royal Insurance/Sun Alliance merger produced hefty falls in both stocks yesterday.

The insurance team at UBS published the note, recommending clients to sell both stocks, which fell 8 apiece, with Royals closing at 407p and Sun Alliance at 380p.

Pharmaceuticals group Zeneca was among those that managed to buck the poor market trend. The shares rose 10 to 1390p in trade of 3.4m after BZW upgraded the stock to a "buy" and also raised its current year profits estimate.

ICI tumbled 20 to 809p after BZW, one of the group's two brokers, downgraded its profits forecast. The UK investment bank is believed to have reduced its current year estimate by £130m to £820m and the following year's figure to £1.05bn from £1.15bn.

Cadbury Schweppes attracted keen interest as several brokers recommended the stock following meetings with the company. The shares edged up to 496p as heavy trading brought volume of 8.5m.

The list of brokers positive on the stock includes Charterhouse Tilney, which said the group's recent disposal had given Cadbury greater, "financial flexibility".

Transport leader P&O steamed ahead smoothly following an upbeat trading statement from US cruise specialist Carnival. Cruising is likely to account for around 25 per cent of P&O's operating profits this year, and the US group reports very strong summer bookings. The stock added 3 at 506p.

Airports group BAA, hit lately by regulatory worries ahead of next month's review of landing fees, dipped 8¾ to a new 52-week low of 455½p. SBC Warburg was said to have turned negative on the shares.

Electronics giant GEC came off sharply in above average volume in both the share market and the options pits.

There were no obvious pressure points. The group unveils results early next month, but the range of City earnings forecasts is relatively narrow, and few analysts expect anything but neutral news. The stock fell 5¼ to 354½p in turnover of 10m. Traded options accounted for a further 3.4m equivalent.

There was keen interest in Pace Micro Technology, which moved to a strong premium on the first day of when-issued dealings. Floated at 175p, the stock rose to 230p before closing at 199p in 31m traded, the day's heaviest turnover.

Engineers figured prominently in the Footsie top 10, with Smiths Industries and TI pushed higher by Boeing's plans for increased production and Siebe gaining from hopes for profits upgrades later this year.

The US aircraft giant plans to double output of its 737 commercial jetliner by 1998. As big parts suppliers, both Smiths ands TI came in for strong demand. Smiths jumped 20 to 693p and TI rose 9 to 554p. Cobham put on 8 at 630p.

Analysts have returned from their visit to Siebe's US Foxboro plants in upbeat mood.

Foxboro, which accounts for some 20 per cent of group sales, is said to be expanding rapidly on high margins.

More than one broker claimed to have a profits upgrade for the group in the pipeline.

MARKET REPORTERS:
Joel Kibazo, Jeffrey Brown,
Steve Thompson,
Herjinder Kular.

FINANCIAL TIMES EQUITY INDICES

	Jun 20	Jun 19	Jun 18	Jun 17	Jun 14	Yr ago	*High	*Low
Ordinary Share	2749.4	2768.9	2778.8	2784.5	2782.7	2556.1	2865.2	2696.7
Ord. div. yield	4.07	4.04	4.03	4.02	4.03	4.17	4.07	3.78
P/E ratio net	16.22	16.33	16.37	16.40	16.38	16.06	17.25	15.96
P/E ratio nil	16.13	16.24	16.28	16.31	16.29	15.83	17.03	15.76

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2771.3	2763.4	2759.9	2756.5	2756.7	2758.2	2760.2	2752.6	2750.0	2771.4	2748.8

	Jun 20	Jun 19	Jun 18	Jun 17	Jun 14	Yr ago
SEAQ bargains	30,159	28,770	27,680	30,826	30,612	22,231
Equity turnover (£m)†	-	2167.9	1702.8	1903.9	2414.8	2190.8
Equity bargains†	-	35,108	33,832	34,851	36,465	28,437
Shares traded (ml)†	-	685.2	622.8	640.8	783.0	700.9

†Excluding intra-market business and overseas turnover.

	Jun 20	Jun 19	Jun 18	Jun 17	Jun 14	Yr ago	*High	*Low
FT-SE AIM	1102.40	1105.70	1110.40	1118.80	1121.60	-	1140.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	559	Total Highs	76	Total contracts	44,576
Total Falls	555	Total Lows	28	Calls	16,059
Same	1,809			Puts	28,517

June 20 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3748.0	3723.0	-26.0	3753.0	3719.0	13618	15135
Sep	3750.0	3716.5	-34.0	3754.0	3712.0	14495	31414
Dec	3789.0	3739.5	-34.0	3789.0	3757.0	133	903

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4444.0	-11.0	-	-	0	511
Sep	4465.0	4466.0	-23.0	4465.0	4465.0	100	3740

■ FT-SE 100 INDEX OPTION (LIFFE) (*3728) £10 per full index point

	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P
Jun	178	1	128	1	78	1	29	3	1	28	1	77	1	127	1	177
Jul	178	7	129	13½	80	24	57	41	31½	66	14½	99	5½	146½	2	187½
Aug	184½	22½	145½	32½	108½	45½	79	65	55½	91½	32½	121½	18½	155	9½	195½
Sep	198	36	168½	47½	121½	64	92	82	73	107½	51	135	34½	168	21½	205½
Dec†			277½	55					158	121½			108	172½		71 [illegible]

Calls 3,803 Puts 13,907

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P
Jun	178	1	128	1	78	1	29	3	1	28	1	77	1	127	1	177
Jul	178	7	129	13½	80	24	57	41	31½	66	14½	99	5½	140½	2	187½
Aug	184½	22½	145½	32½	108½	45½	79	65	55½	91½	32½	121½	18½	155	9½	195½
Sep	198	36	168½	47½	121½	64	92	82	73	107½	51	135	34½	168	21½	205½
Dec†			277½	85					185	121½			168	172½		71 [illegible]

Calls 2,894 Puts 6,057 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Grs cov.	Grs yld	P/E net
-	F.P.	4.02	55	43	Biocompatibles W	51	-	-	-	-	-
90	F.P.	10.1	108	98	†Carisbrooke	100	-	-	-	-	-
-	F.P.	105.1	216	208	City Technology	216	-	-	-	-	-
-	F.P.	17,014	£37⅛	£35¼	Elect Data Sys	£35½	-	-	-	-	-
115	F.P.	47.6	158	130	European Telecom	153	-3	-	-	-	-
-	F.P.	48.8	138	126	†Fibernet Group	126	-	-	-	-	-
100	F.P.	94.5	97	91½	Fidelity Asian V	92	-½	-	-	-	-
-	F.P.	7.40	37	32	Fidelity Asn Wts	35	-	-	-	-	-
60	F.P.	3.15	85	83	†Fielders	83	-	-	-	-	-
-	F.P.	24.8	20	19	†Gold Mn Sardinia	23	-	-	-	-	-
-	F.P.	5.36	11	10	†Gold Sard Wrts	10	-	-	-	-	-
100	F.P.	7.74	116	112	†Hydro-Dynamic P	115	-1	-	-	-	-
-	F.P.	44.4	297	290	†IES	292	-	20.6	-	0.3	-
-	F.P.	5.71	280	275	†IES Warrants	277	-	-	-	-	-
-	F.P.	14.4	116	105	†Independent Engy	110	+4	-	-	-	-
-	F.P.	33.5	133	123	Lands Improvemnt	129	-1	-	-	-	-
-	F.P.	2.51	125	110	†Matrix Hlthcare	110	-5	-	-	-	-
-	F.P.	100.6	500	435	PPL Therapeutics	450	-	-	-	-	-
190	P.P.	2,085	229	205	Railtrack	217	+½	W20.8	2.6	6.4	7.5
-	F.P.	24.5	99	96	Renaissance US G	98	-	-	-	-	-
70	F.P.	16.5	75	71	SEA Multimedia	73	-	-	-	-	-
100	F.P.	101.0	103½	51	Templeton Emg C	101	+1	-	-	-	-
118	F.P.	19.6	138	108	†Theo Fennell	121	-	-	-	-	-
174	F.P.	18.7	178	174	Treats Group	175	-1	-	-	-	-
84	F.P.	3.84	95	91	†Whitecross	91	-	-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jun 19	% chg on day	Jun 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	2107.10	+1.2	2082.78	2041.08	1.46	-	2820.73	1722.93
■ Regional indices								
Africa (13)	2805.61	+2.8	2727.91	2714.84	2.58	38.21	3553.86	2272.74
Australasia (6)	2444.88	+0.1	2443.47	2361.98	2.68	28.68	2927.34	2142.76
North America (12)	1862.26	+0.6	1850.89	1806.85	0.73	66.23	2188.39	1498.94

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FT - SE Actuaries Share Indices — The UK Series

	Jun 20	Day's chge%	Jun 19	Jun 18	Jun 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3727.5	-0.7	3753.2	3758.4	3761.5	3403.6	4.09	2.14	14.31	88.58	1525.52
FT-SE Mid 250	4449.8	-0.1	4455.1	4454.7	4462.2	3673.2	3.40	1.73	21.30	100.34	1790.35
FT-SE Mid 250 ex Inv Trusts	4493.2	-0.1	4498.3	4498.0	4505.2	3683.2	3.50	1.77	20.17	105.36	1810.77
FT-SE-A 350	1886.6	-0.6	1897.1	1898.3	1901.1	1685.0	3.93	2.06	15.45	44.33	1578.58
FT-SE-A 350 Higher Yield	1808.9	-0.7	1820.8	1823.6	1827.4	1696.4	5.25	1.91	12.48	52.27	1265.37
FT-SE-A 350 Lower Yield	1971.4	-0.5	1980.8	1980.4	1982.1	1674.0	2.75	2.31	19.67	38.71	1367.20
FT-SE SmallCap	2235.83	.....	2238.20	2238.00	2239.75	1854.45	2.91	1.78	24.13	32.70	1835.46
FT-SE SmallCap ex Inv Trusts	2237.06	.....	2237.84	2239.47	2240.82	1832.91	3.06	1.87	21.82	34.86	1848.19
FT-SE-A ALL-SHARE	1873.67	-0.5	1883.36	1884.59	1887.21	1663.55	3.85	2.04	15.90	42.67	1592.01

■ FT-SE Actuaries All-Share

	Jun 20	Day's chge%	Jun 19	Jun 18	Jun 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3470.31	-0.3	3479.84	3496.60	3468.61	2848.39	3.86	1.83	17.69	79.04	1495.12
12 Extractive Industries(6)	4401.48	+0.1	4397.93	4373.40	4340.37	3885.95	3.64	2.52	13.63	109.19	1295.22
15 Oil, Integrated(3)	3499.16	-0.3	3511.33	3539.46	3510.04	2826.85	4.09	1.72	17.73	81.64	1546.25
16 Oil Exploration & Prod(15)	2495.81	-0.3	2502.87	2487.13	2472.40	2057.90	2.11	1.58	37.45	33.15	1502.10
20 GEN INDUSTRIALS(275)	2059.38	-0.4	2068.31	2071.38	2076.28	1955.65	4.17	1.90	15.74	41.50	1127.90
21 Building & Construction(34)	1212.03	.....	1211.48	1210.49	1204.70	858.68	3.40	1.74	21.16	20.76	1016.61
22 Building Matls & Merchs(29)	1913.20	-0.6	1924.41	1920.17	1915.11	1777.61	3.99	1.77	17.70	42.10	970.63
23 Chemicals(25)	2458.50	-1.1	2485.20	2495.19	2502.31	2414.07	4.05	1.96	15.75	55.67	1170.29
24 Diversified Industrials(19)	1603.74	-0.5	1611.93	1620.92	1630.52	1843.66	6.49	1.70	11.36	54.89	904.56
25 Electronic & Elect Equip(37)	2371.43	-1.1	2398.96	2397.23	2405.67	2064.67	3.13	1.57	23.87	17.23	1225.45
26 Engineering(71)	2475.32	+0.3	2468.21	2469.23	2478.39	2000.44	3.22	2.49	15.58	31.48	1501.17
27 Engineering, Vehicles(13)	3028.51	+0.1	3025.44	3023.50	3028.11	2327.55	3.52	1.98	18.15	53.22	1572.56
28 Paper, Pckg & Printing(28)	2622.26	-0.8	2642.42	2648.66	2650.34	3040.79	3.91	1.98	16.12	55.87	1098.05
29 Textiles & Apparel(19)	1408.95	-0.1	1408.30	1414.50	1414.21	1630.00	4.02	1.53	16.23	41.39	868.03
30 CONSUMER GOODS(90)	3555.67	-0.4	3568.49	3576.31	3587.85	3267.83	3.95	1.89	16.75	81.12	1320.58
32 Alcoholic Beverages(9)	2713.00	-0.8	2734.81	2729.41	2736.00	2820.81	4.61	1.62	16.77	71.90	984.80
33 Food Producers(23)	2511.46	+0.4	2502.38	2494.28	2484.24	2528.61	4.14	1.97	15.35	65.08	1143.07
34 Household Goods(15)	2644.75	-0.5	2657.26	2663.85	2663.82	2681.25	3.75	2.15	15.46	55.78	1014.63
36 Health Care(20)	2137.45	-0.1	2139.15	2145.83	2124.38	1832.58	2.52	1.84	26.94	33.27	1304.69
37 Pharmaceuticals(12)	5121.54	-0.4	5142.84	5184.45	5221.24	4245.89	3.32	1.87	20.10	91.18	1742.96
38 Tobacco(1)	4324.38	-0.9	4362.50	4332.86	4368.74	4231.70	5.98	2.12	10.03	156.18	1086.25
40 SERVICES(263)	2551.00	-0.6	2566.10	2564.31	2574.31	2064.52	2.42	2.01	21.98	49.48	1334.18
41 Distributors(32)	2933.22	-0.4	2944.97	2954.31	2951.34	2600.73	2.91	1.76	24.40	48.29	1086.26
42 Leisure & Hotels(23)	3294.06	+0.1	3290.74	3249.28	3253.34	2363.50	2.71	1.92	24.00	142.15	1774.18
43 Media(46)	4189.93	-0.6	4216.84	4225.04	4235.81	3088.50	2.17	1.88	30.60	51.26	1519.20
44 Retailers, Food(15)	2045.61	-0.6	2058.86	2048.08	2062.73	2052.18	3.74	2.31	14.60	48.47	1312.63
45 Retailers, General(43)	2114.52	-0.7	2129.94	2129.37	2148.61	1680.90	2.95	2.16	19.56	45.45	1218.90
47 Breweries, Pubs & Rest.(24)	3221.80	-1.1	3256.41	3256.71	3263.89	2488.05	3.11	2.14	18.51	49.94	1553.06
48 Support Services(49)	2461.95	-0.3	2469.92	2470.67	2469.67	1841.42	1.81	2.38	27.87	27.48	1588.24
49 Transport(21)	2373.69	-0.5	2384.64	2383.22	2395.65	2276.50	3.71	1.47	22.59	42.47	992.24
60 UTILITIES(32)	2350.67	-0.6	2365.58	2362.53	2367.15	2440.48	5.61	1.98	11.24	74.17	1008.60
62 Electricity(11)	2570.12	+0.6	2553.68	2531.55	2550.51	2298.04	6.34	2.37	8.31	174.88	1255.10
64 Gas Distribution(2)	1236.85	-1.3	1252.65	1246.13	1262.50	2031.22	9.85	1.36	9.50	66.67	648.63
66 Telecommunications(7)	2005.87	-1.6	2037.63	2042.88	2035.01	2150.03	4.29	1.79	16.33	12.58	913.54
68 Water(12)	2157.03	+0.7	2142.49	2143.34	2154.07	1945.09	6.13	2.33	8.74	66.78	1204.27
69 NON-FINANCIALS(684)	2000.01	-0.5	2009.52	2011.49	2015.00	1789.81	3.85	1.93	16.82	44.57	1524.89
70 FINANCIALS(105)	2851.42	-0.8	2875.08	2871.71	2870.88	2440.79	4.24	2.62	11.25	77.85	1237.06
71 Banks, Retail(8)	3906.68	-1.2	3954.49	3943.14	3932.04	3289.61	3.98	2.89	10.85	110.04	1287.20
72 Banks, Merchant(6)	3611.26	+0.2	3603.27	3611.98	3632.09	3329.57	2.74	2.37	19.25	46.76	1147.26
73 Insurance(23)	1458.89	-1.1	1475.47	1478.75	1476.36	1325.96	5.79	3.12	6.92	47.91	1105.96
74 Life Assurance(6)	3349.91	-0.2	3358.32	3385.00	3397.46	2743.13	4.46	2.24	12.52	100.72	1404.30
77 Other Financial(21)	2667.97	+0.1	2666.06	2683.73	2687.71	2032.26	3.91	1.73	18.51	57.91	1529.27
79 Property(41)	1528.11	.....	1527.73	1527.23	1532.54	1472.78	4.16	1.30	23.16	33.27	947.32
80 INVESTMENT TRUSTS(125)	3171.94	.....	3172.19	3178.14	3182.00	2798.49	2.22	1.09	51.67	38.01	1111.30
89 FT-SE-A ALL-SHARE(894)	1873.67	-0.5	1883.36	1884.59	1887.21	1663.55	3.85	2.04	15.90	42.67	1592.01
FT-SE-A Fledgling	1274.16	-0.1	1275.59	1276.27	1276.10	1012.83	2.71	2.14	21.56	15.82	1333.91
FT-SE-A Fledgling ex Inv Trusts	1290.16	-0.1	1291.85	1292.54	1292.42	1005.87	2.91	2.31	18.63	17.05	1350.94

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3756.1	3746.7	3744.3	3739.7	3738.7	3741.3	3743.5	3732.8	3728.0	3756.5	3726.9
FT-SE Mid 250	4456.7	4459.9	4456.5	4455.4	4454.3	4455.3	4456.5	4454.7	4449.7	4460.3	4449.6
FT-SE-A 350	1898.6	1895.8	1893.8	1891.9	1891.3	1892.5	1893.5	1889.1	1886.7	1898.9	1886.3

Time of FT-SE 100 Day's high: 8:33 AM Day's low: 4:20 PM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 3954.2 (?/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1198.8	1199.1	1198.9	1197.5	1197.2	1197.2	1197.2	1196.7	1195.7	1195.7	1195.3	+0.4
Pharmaceuticals	5072.3	5070.6	5058.8	5046.8	5043.7	5048.8	5060.9	5050.4	5051.0	5051.0	5072.9	-21.9
Water	2153.8	2150.5	2143.9	2143.7	2141.6	2144.0	2147.4	2145.9	2144.2	2144.0	2129.2	+14.8
Banks, Retail	4009.5	3995.2	3992.1	3987.3	3985.3	3984.2	3985.2	3969.5	3959.2	3958.6	4005.0	-46.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	[illegible]	[illegible]	[illegible]
ASDA Group†	[illegible]	[illegible]	[illegible]
Abbey National†	[illegible]	[illegible]	[illegible]
Albert Fisher	[illegible]	[illegible]	[illegible]
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos†	[illegible]	[illegible]	[illegible]
Argyll Group†	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods†	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds.†	[illegible]	[illegible]	[illegible]
BBA	[illegible]	[illegible]	[illegible]
BET	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BP†	[illegible]	[illegible]	[illegible]
BPB Inds.	[illegible]	[illegible]	[illegible]
BSkyB†	[illegible]	[illegible]	[illegible]
BTR†	[illegible]	[illegible]	[illegible]
Bank of Scotland†	[illegible]	[illegible]	[illegible]
Barclays†	[illegible]	[illegible]	[illegible]
Bass†	[illegible]	[illegible]	[illegible]
Blue Circle†	[illegible]	[illegible]	[illegible]
Boots†	[illegible]	[illegible]	[illegible]
Bowater	[illegible]	[illegible]	[illegible]
Brit. Aerospace†	[illegible]	[illegible]	[illegible]
British Airways†	[illegible]	[illegible]	[illegible]
British Biotech	[illegible]	[illegible]	[illegible]
British Gas†	[illegible]	[illegible]	[illegible]
British Land	[illegible]	[illegible]	[illegible]
British Steel†	[illegible]	[illegible]	[illegible]
Bunzl	[illegible]	[illegible]	[illegible]
Burmah Castrol†	[illegible]	[illegible]	[illegible]
Burton†	[illegible]	[illegible]	[illegible]
Cable & Wire†	[illegible]	[illegible]	[illegible]
Cadbury Schweppes†	[illegible]	[illegible]	[illegible]
Caradon	[illegible]	[illegible]	[illegible]
Carlton Comms.†	[illegible]	[illegible]	[illegible]
Chubb	[illegible]	[illegible]	[illegible]
Coats Viyella	[illegible]	[illegible]	[illegible]
Comm. Union†	[illegible]	[illegible]	[illegible]
Compass	[illegible]	[illegible]	[illegible]
Cookson†	[illegible]	[illegible]	[illegible]
Courtaulds†	[illegible]	[illegible]	[illegible]
Dalgety	[illegible]	[illegible]	[illegible]
De La Rue	[illegible]	[illegible]	[illegible]
Dixons†	[illegible]	[illegible]	[illegible]
East Midland Elec.	[illegible]	[illegible]	[illegible]
Electrocomponents	[illegible]	[illegible]	[illegible]
Eng China Clays	[illegible]	[illegible]	[illegible]
Enterprise Oil†	[illegible]	[illegible]	[illegible]
Eurotunnel Units	[illegible]	[illegible]	[illegible]
FKI	[illegible]	[illegible]	[illegible]
Foreign & Col. I.T.†	[illegible]	[illegible]	[illegible]
Gen. Accident†	[illegible]	[illegible]	[illegible]
General Elect.†	[illegible]	[illegible]	[illegible]
Glaxo Wellcome†	[illegible]	[illegible]	[illegible]
Glynwed	[illegible]	[illegible]	[illegible]
Granada†	[illegible]	[illegible]	[illegible]
Grand Met.†	[illegible]	[illegible]	[illegible]
GUS†	[illegible]	[illegible]	[illegible]
Greenalls	[illegible]	[illegible]	[illegible]
GRE†	[illegible]	[illegible]	[illegible]
GKN†	[illegible]	[illegible]	[illegible]
Guinness†	[illegible]	[illegible]	[illegible]
HSBC (75p shs)†	[illegible]	[illegible]	[illegible]
Hammerson	[illegible]	[illegible]	[illegible]
Hanson†	[illegible]	[illegible]	[illegible]
Harrisons Crosfield	[illegible]	[illegible]	[illegible]
Hays	[illegible]	[illegible]	[illegible]
Hillsdown	[illegible]	[illegible]	[illegible]
Hyder	[illegible]	[illegible]	[illegible]
IMI	[illegible]	[illegible]	[illegible]
ICI†	[illegible]	[illegible]	[illegible]
Inchcape	[illegible]	[illegible]	[illegible]
Johnson Matthey	[illegible]	[illegible]	[illegible]
Kingfisher†	[illegible]	[illegible]	[illegible]
Kwik Save	[illegible]	[illegible]	[illegible]
Ladbroke†	[illegible]	[illegible]	[illegible]
Land Securities†	[illegible]	[illegible]	[illegible]
Laporte	[illegible]	[illegible]	[illegible]
Legal & General†	[illegible]	[illegible]	[illegible]
Lloyds Abbey	[illegible]	[illegible]	[illegible]
Lloyds TSB†	[illegible]	[illegible]	[illegible]
LASMO†	[illegible]	[illegible]	[illegible]
London Elect.	[illegible]	[illegible]	[illegible]
Lonrho†	[illegible]	[illegible]	[illegible]
Lucas	[illegible]	[illegible]	[illegible]
MEPC	[illegible]	[illegible]	[illegible]
MFI	[illegible]	[illegible]	[illegible]
Marks & Spencer†	[illegible]	[illegible]	[illegible]
Mercury Asset Man.	[illegible]	[illegible]	[illegible]
Midlands Elec.	[illegible]	[illegible]	[illegible]
Morrison (Wm.)	[illegible]	[illegible]	[illegible]
NFC	[illegible]	[illegible]	[illegible]
NatWest Bank†	[illegible]	[illegible]	[illegible]
National Grid†	[illegible]	[illegible]	[illegible]
National Power†	[illegible]	[illegible]	[illegible]
Next	[illegible]	[illegible]	[illegible]
Northern Elect.	[illegible]	[illegible]	[illegible]
Northern Foods	[illegible]	[illegible]	[illegible]
Pearson†	[illegible]	[illegible]	[illegible]
P & O†	[illegible]	[illegible]	[illegible]
Pilkington†	[illegible]	[illegible]	[illegible]
PowerGen†	[illegible]	[illegible]	[illegible]
Premier Farnell	[illegible]	[illegible]	[illegible]
Prudential†	[illegible]	[illegible]	[illegible]
REXAM†	[illegible]	[illegible]	[illegible]
RMC†	[illegible]	[illegible]	[illegible]
RTZ†	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Railtrack	[illegible]	[illegible]	[illegible]
Rank Org.†	[illegible]	[illegible]	[illegible]
Reckitt & Colman†	[illegible]	[illegible]	[illegible]
Redland	[illegible]	[illegible]	[illegible]
Reed Intl.†	[illegible]	[illegible]	[illegible]
Rentokil	[illegible]	[illegible]	[illegible]
Reuters†	[illegible]	[illegible]	[illegible]
Rolls Royce†	[illegible]	[illegible]	[illegible]
Royal Bk Scotland†	[illegible]	[illegible]	[illegible]
Royal Insurance†	[illegible]	[illegible]	[illegible]
Sainsbury†	[illegible]	[illegible]	[illegible]
Schroders†	[illegible]	[illegible]	[illegible]
Scot. & New.†	[illegible]	[illegible]	[illegible]
Scot. Hydro-Elect.	[illegible]	[illegible]	[illegible]
Scottish Power†	[illegible]	[illegible]	[illegible]
Sears	[illegible]	[illegible]	[illegible]
Sedgwick	[illegible]	[illegible]	[illegible]
Severn Trent†	[illegible]	[illegible]	[illegible]
Shell Transport†	[illegible]	[illegible]	[illegible]
Siebe†	[illegible]	[illegible]	[illegible]
Slough Estates	[illegible]	[illegible]	[illegible]
Smith (WH)	[illegible]	[illegible]	[illegible]
Smith & Nephew†	[illegible]	[illegible]	[illegible]
SmithKline Beecham†	[illegible]	[illegible]	[illegible]
Smiths Inds.†	[illegible]	[illegible]	[illegible]
Southern Elec.†	[illegible]	[illegible]	[illegible]
South West Water	[illegible]	[illegible]	[illegible]
Southern Water	[illegible]	[illegible]	[illegible]
Standard Chartered†	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]
Sun Alliance†	[illegible]	[illegible]	[illegible]
T&N	[illegible]	[illegible]	[illegible]
TI Group†	[illegible]	[illegible]	[illegible]
Tarmac	[illegible]	[illegible]	[illegible]
Tate & Lyle†	[illegible]	[illegible]	[illegible]
Taylor Woodrow	[illegible]	[illegible]	[illegible]
TeleWest Comms	[illegible]	[illegible]	[illegible]
Tesco†	[illegible]	[illegible]	[illegible]
Thames Water†	[illegible]	[illegible]	[illegible]
Thorn EMI†	[illegible]	[illegible]	[illegible]
Tomkins†	[illegible]	[illegible]	[illegible]
Unigate	[illegible]	[illegible]	[illegible]
Unilever†	[illegible]	[illegible]	[illegible]
United Biscuits	[illegible]	[illegible]	[illegible]
Utd. News & Media	[illegible]	[illegible]	[illegible]
United Utilities†	[illegible]	[illegible]	[illegible]
Vodafone†	[illegible]	[illegible]	[illegible]
WPP	[illegible]	[illegible]	[illegible]
Wessex Water	[illegible]	[illegible]	[illegible]
Whitbread†	[illegible]	[illegible]	[illegible]
Williams Hldgs.†	[illegible]	[illegible]	[illegible]
Willis Corroon	[illegible]	[illegible]	[illegible]
Wimpey	[illegible]	[illegible]	[illegible]
Wolseley	[illegible]	[illegible]	[illegible]
Yorkshire Elec.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. [illegible] † Indicates an FT-SE 100 index constituent. [illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 20 / Sch)

BELGIUM/LUXEMBOURG (Jun 20 / Frs.)

CZECH REP (Jun 20 / Koruna)

DENMARK (Jun 20 / Kr)

FINLAND (Jun 20 / Mks)

FRANCE (Jun 20 / Frs.)

GERMANY (Jun 20 / Dm.)

GREECE (Jun 20 / Drachma)

ITALY (Jun 20 / Lira)

NETHERLANDS (Jun 20 / Fls.)

NORWAY (Jun 20 / Kroner)

POLAND (Jun 20 / Zloty)

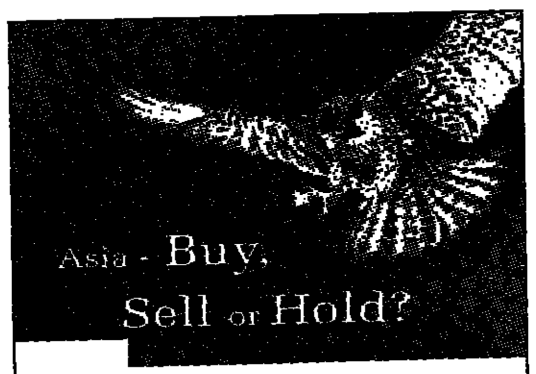
PORTUGAL (Jun 20 / Escudo)

SPAIN (Jun 20 / Pts.)

SWEDEN (Jun 20 / Kronor)

SWITZERLAND (Jun 20 / Frs.)

TURKEY (Jun 20 / Tk Lira)



PACIFIC

JAPAN (Jun 20 / Yen)

HONG KONG (Jun 19 / H.K.$)

INDONESIA (Jun 20 / Rupiah)

MALAYSIA (Jun 20 / MYR)

NEW ZEALAND (Jun 20 / NZ $)

SINGAPORE (Jun 20 / S$)

AUSTRALIA (Jun 20 / Aust$)

SOUTH KOREA (Jun 20 / Won)

TAIWAN (Jun 19 / TW $)

THAILAND (Jun 20 / Baht)

AFRICA

SOUTH AFRICA (Jun 20 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 20 / Can $) 4 pm close

MONTREAL (Jun 20 / Can $) 4 pm close

INDICES

	Jun 20	Jun 19	Jun 18	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	17980.21	17871.02	18881.95 20/5	16828.61 19/3
Australia					
All Ordinaries(1/1/80)	2248.5	2233.2	2228.3	2326.80 26/4	2187.40 11/3
All Mining(1/1/80)	1041.2	1032.1	1026.4	1118.49 8/5	1004.70 16/1
Austria					
Credit Aktien(30/12/84)	380.51	382.87	380.21	394.99 31/5	352.78 2/1
Traded Index(2/1/91)	1101.38	1111.05	1104.36	1142.51 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1716.35	1747.99	1760.51	1773.28 28/5	1574.98 2/1
Brazil					
Bovespa(29/12/83)	(u)	58171.0	58348.0	58348.00 18/6	43901.00 2/1
Canada					
Metals Minls♦(1975)	(u)	5192.88	5169.64	5824.90 8/5	4987.47 18/1
Composite♦(1975)	(u)	5072.88	5060.65	5238.98 22/5	4739.78 15/1
Portfolio§§(4/1/83)	(u)	2495.57	2485.42	2585.56 27/5	2327.39 12/1
Chile					
IGPA Gen♥(31/12/80)	(u)	5495.57	5494.78	5904.33 9/1	5215.28 8/4
Denmark					
CopenhagenSE(3/1/83)	404.97	403.54	402.16	407.07 28/5	366.40 2/1
Finland					
HEX General(28/12/90)	2012.82	2007.95	2012.90	2070.42 31/5	1851.67 10/1
France					
SBF 250(31/12/90)	1422.32	1436.33	1440.16	1457.58 6/6	1250.16 2/1
CAC 40(31/12/87)	2077.08	2100.70	2107.94	2146.79 30/4	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	897.07	900.13	899.82	904.93 23/5	818.50 2/1
Commerzbank(1/12/53)	2585.8	2594.80	2592.70	2608.70 13/6	2378.20 2/1
DAX‡(30/12/87)	2538.67	2554.29	2549.29	2570.78 21/5	2284.86 2/1
Greece					
Athens SE(31/12/80)	909.62	917.97	911.90	1017.98 4/3	901.03 29/4
Hong Kong					
Hang Seng(31/7/64)	(c)	10904.47	10952.78	11594.99 16/2	10204.87 2/1
India					
BSE Sens.(1979)	3995.20	3980.04	4089.28	4089.26 18/6	2828.88 25/1
Indonesia					
Jakarta Comp.(10/8/82)	580.67	583.17	588.23	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2588.07	2583.18	2595.19	2595.19 18/6	2234.81 2/1
Italy					
Banca Comm Ital(1972)	669.54	671.68	665.12	674.18 20/5	572.21 23/3
MIB General(2/1/96)	1135.0	1138.0	1127.0	1142.00 20/5	978.00 27/3
Japan					
Nikkei 225(16/5/49)	22437.30	22367.36	22332.40	22437.30 20/6	19734.70 13/3
Nikkei 300(1/10/82)	315.71	315.02	314.78	318.08 26/4	284.48 11/3
Topix(4/1/68)	1700.53	1698.63	1698.16	1718.00 26/4	1524.12 13/3
2nd Section(4/1/68)	2211.45	2217.78	2230.17	2243.28 2/5	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1142.33	1130.27	1124.85	1189.54 30/4	993.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3210.83	3202.15	3352.88 22/5	2738.38 8/3
Netherland					
CBS TtlRtnGen(End 83)	636.8	639.2	645.2	652.80 12/6	538.50 2/1
CBS All Shr(End 83)	377.2	379.1	382.7	387.10 12/6	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2093.54	2086.81	2089.82	2203.06 4/1	2025.14 7/5
Norway					
Oslo SE(Ind)(2/1/83)	1450.41	1452.17	1456.84	1468.71 12/6	1269.58 30/1
Philippines					
Manila Comp(2/1/85)	3191.23	3186.83	3170.08	3286.70 10/6	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1923.39	1923.97	1914.63	1923.97 19/6	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	582.11	581.86	579.84	610.37 5/2	553.88 2/1
South Africa					
JSE Gold(28/9/78)	1803.2♥	1832.8	1777.9	2038.49 29/5	1348.40 2/1
JSE Indl.(28/9/78)	8108.0♥	8143.6	8147.2	8738.20 25/1	7723.20 20/5
South Korea					
KoreaCmpEx**(4/1/80)	861.72	869.56	862.31	986.84 7/5	838.87 13/3
Spain					
Madrid SE(30/12/85)	369.85	371.09	371.92	372.37 12/6	323.75 11/1
Sweden					
AffarsvarldnGen(1/2/37)	1984.9	1976.5	1975.9	2019.80 6/6	1706.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1758.12	1752.00	1743.83	1779.54 26/4	1518.19 17/1
SBC General(1/4/87)	1243.70	1240.47	1236.21	1259.89 26/4	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	(c)	6380.07	6323.76	6423.11 17/6	4699.22 6/2
Thailand					
Bangkok SET(30/4/75)	1241.45	1253.51	1258.37	1415.04 6/2	1241.45 20/6
Turkey					
Istanbul Cmp.(Jan 1986)	67591.2	67694.0	67723.5	72688.80 8/4	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	775.1*	775.9	776.2	780.38 22/5	725.60 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1684.92	1686.41	1685.57	1699.17 28/5	1504.40 11/1
Euro Top-100(26/6/90)	1434.43	1442.22	1445.62	1458.28 28/4	1333.81 11/1
HSBC JC Dragn(31/12/88)	(u)	375.78	372.61	383.16 18/4	344.19 2/1
ING Barings Emrg(7/1/92)	182.13	182.32	181.49	184.14 14/5	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Jun	2090.0	2068.0	-28.0	2090.0	2066.0	21,881	43,312
Jul	2089.0	2067.0	-26.0	2089.0	2067.0	753	19,781
■ DAX							
Jun	2554.0	2534.0	-12.0	2556.5	2529.5	28,194	-
Sep	2574.0	2552.5	-13.0	2576.5	2548.5	23,526	-
■ OMX							
Jun	1536.00	1547.00	+12.00	1550.00	1536.00	1,731	13,961
Jul	1549.50	1554.00	+7.00	1555.50	1548.50	445	4,792
■ SOFFEX							
Jun	3648.0	3650.0	+17.0	3654.0	3636.0	6,026	10,110
Jul	3650.1	3649.0	+18.9	3652.0	3637.0	4,310	27,393

** Sat Jun 15. Taiwan Weighted Price 6412.40; Korea Comp Ex 858.49. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jun 20 - 2532.22 -13.22.

US INDICES

Dow Jones	Jun 19	Jun 18	Jun 17	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5648.35	5628.03	5652.78	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.25	101.25	101.23	106.08 (14/2)	101.19 (8/5)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2202.45	2214.87	2190.90	2289.20 (22/5)	1892.71 (18/1)	2296.20 (23/5/96)	12.32 (8/7/32)
Utilities	207.17	207.03	207.38	234.00 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5683.78 (5683.44) Low 5600.70 (5607.71) (Theoretical♦)
Day's high 5674.57 (5663.49) Low 5628.03 (5623.23) (Actual♦)

Standard and Poors	Jun 19	Jun 18	Jun 17	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	661.96	662.06	665.16	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	789.36	788.89	793.54	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	66.55	66.87	66.96	68.56 (5/3)	58.87 (10/1)	68.56 (5/3/96)	8.84 (1/10/74)
NYSE Comp.	355.32	355.58	356.92	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	588.93	588.99	590.53	614.99 (22/5)	529.05 (18/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1179.27	1183.08†	1207.64	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jun 14	Jun 7	May 31	Year ago
Dow Jones Ind. Div. Yield	2.19	2.16	2.18	2.46
	Jun 19	Jun 12	Jun 5	Year ago
S & P Ind. Div. yield	1.87	1.87	1.83	2.20
S & P Ind. P/E ratio	22.22	19.65	22.74	17.65

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Wheelabrator	10,818,800	16⅛	—
K-Mart	6,095,600	12¼	-1⅛
LTV	3,954,900	12	-⅜
Hithsource	3,914,300	17¾	-2¼
Bay Network	3,797,600	26⅛	+⅛
Micron Tech	3,576,800	28⅛	+¾
Pepsico	2,992,000	34⅝	+⅝
Tel de Mex	2,866,100	34⅞	+⅝
Federal Natl	2,761,900	31¼	+⅛
Time Warner	2,495,900	39⅝	-½

■ TRADING ACTIVITY

● Volume (million)	Jun 19	Jun 18	Jun 17
New York SE	378.014	389.597	298.700
Amex	25.505	25.560	17.445
NASDAQ	614.946	635.082	461.630
NYSE			
Issues Traded	3,148	3,187	3,130
Rises	952	1,117	1,090
Falls	1,386	1,237	1,202
Unchanged	810	813	838
New Highs	49	58	57
New Lows	46	47	36

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	664.00	664.75	+1.80	665.50	663.90	19,088	71,477
Sep	668.55	670.60	+1.90	671.30	668.50	87,927	151,950

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	22380.0	22470.0	+90.0	22480.0	22190.0	30,898	209,173
Sep	22360.0	22350.0	-210.0	22360.0	22350.0	21	4,112

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, June 20, 1996

	Stocks Traded	Closing Prices	Change on day
Hokkaido Taku Bk	18.1m	319	+7
Fuji Hvy Inds	12.1m	573	+26
Kanematsu Corp	8.6m	796	-30
Clarion	8.0m	647	
Ishihara Sangyo	6.5m	440	+23
Sumitomo Corp	6.2m	1000	-10
Nippon Steel Cp	5.3m	366	+1
NKK Corp	4.8m	323	+4
Nippon Denko	4.7m	568	+28
Keisei Ele Ry	4.4m	1220	-10

4 pm close June 20

NEW YORK STOCK EXCHANGE PRICES

1996 High	1996 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23¾	19⅛	AAR	0.48	2.4	21	292	20⅛	20	20	-⅝
46⅛	36⅜	AMP	1.00	2.5	19	8516	40⅝	39¼	39⅝	-½
97½	88	AMR			22	2156	93¼	91⅞	92	-1⅛
50½	37⅜	ASA	1.80	4.5	26	437	40⅜	40	40	-¼
44¾	38⅛	AbbtL	0.96	2.2	19	6562	43¼	42⅝	42¾	-½
17¼	13¼	Abitibi Pr	0.40	2.8	7	577	14¼	14¼	14¼	-⅛
38½	27	ABM Ind	0.70	1.8	19	144	u38½	37⅞	38⅛	+¼
18¼	13⅞	Acptncein			48	241	u18¼	17⅝	17⅞	-¼
50⅞	37¾	ACE Ltd	0.56	1.2	11	2801	47½	46½	47¼	+⅝
9⅞	9⅛	ACM Gvt In	0.90	9.2	8	173	9¾	9⅝	9¾	
7⅞	6⅝	ACM GvOpp	0.57	8.6		85	6¾	d6⅝	6⅝	
7¼	6	ACM Gvt Sp	0.68	11.0		381	6¼	d6	6	-⅛
9⅛	8¼	ACM Gvt Se	0.90	10.7		220	8½	8⅛	8⅜	-⅛
9½	8½	ACM Man	0.90	10.6		314	8⅝	d8½	8½	-⅛
30¾	16½	AcmeClv	0.52	1.7	7	20	30	29⅞	29⅞	
13⅞	6⅛	Acme Elect			45	265	8⅞	8⅛	8¼	-⅜
32½	27¾	Acordia	0.80	2.5	19	18	32⅛	32	32⅛	
21⅜	12	Acuson			75	489	16¾	16⅛	16½	+⅛
19½	18⅜	Adams Expr	1.66	8.7	0	233	19⅛	19	19	
21¼	15⅛	AdvMic			6	4407	16	15½	15¾	+⅛
11⅛	8½	Advest Grp	0.16	1.5	7	47	10⅝	10⅜	10⅝	
28⅛	9⅛	Advo Inc	0.10	1.0	56	172	10⅜	10⅛	10¼	
50⅜	41⅛	Aegon	1.19	2.6	14	71	46½	46⅛	46⅛	-⅞
8¾	3½	Aerflx			3	863	6	5⅝	5⅝	-⅛
78¾	66⅜	AetnaL	2.76	3.8	19	13477	74	72½	72⅞	-1
33	28¾	Aflac	0.40	1.3	12	4823	29⅞	29¼	29⅞	+⅛
[illegible]										

Continued on next page

4 pm close June 20

NYSE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
63¾	50½	SchrPl	1.32	2.2	23	4784	60¼	60⅝	60¼	+¼
91⅞	65¾	Schlmb	1.50	1.9	28	5878	81⅝	80¼	80⅜	-⅞
14½	9⅜	Schlr			3	1443	10¾	10¼	10½	+¼
27⅞	18⅝	Schwab(C)	0.16	0.7	23	3338	24⅝	23¼	23½	-1
28⅞	22¾	SchwMaud			14	765	28⅝	28¾	28⅝	+⅛
20⅝	13⅛	SciAtl	0.06	0.4	37	10176	15¼	14	14⅝	-⅝
21	17	Scotsman	0.10	0.5	12	19	20⅜	20	20	-¼
45¾	38¼	Scripps	0.52	1.2	27	576	45⅞	45	45⅛	+¼
18⅛	14½	ScuddrNAsF	0.02	0.1		322	14⅝	d14½	14½	-⅛
12½	11	ScuddrNEoF	0.16	1.3		77	u12½	12¼	12⅜	
20½	16	SeaCnB	0.70	3.5	2	47	20	19⅞	20	
16	15	SeaCt.4625	1.46	9.7		8	15½	15⅛	15⅛	
67¾	44¾	S'gate			18	27479	47½	45½	46¾	+⅝
38⅞	31¾	Seagrm x	0.60	1.8	23	2888	34⅛	33¾	34	+⅛
24⅝	17⅛	Seagull En			15	1552	24	22⅞	22⅞	-1
38⅛	28	Sealed Air			25	297	34¾	34⅛	34¼	-¼
53⅞	38¼	SearsR	0.92	1.9	14	14634	50⅛	47⅞	48⅝	-1¼
22⅞	19¼	SecCapSBI	1.24	5.6	22	386	22⅛	22	22⅛	+⅛
13	11⅞	Seligm Sel x	0.84	6.7		67	12⅝	12½	12½	
23¾	13⅝	Sensormat	0.22	1.3	14	2506	17¾	16½	16⅞	-⅝
49	39½	SequaA	0.60	1.4	170	134	42⅞	42	42	-⅞
49	39	SequaB	0.60	1.0	128	65	u49	47	48¾	
60¼	38⅞	ServCp	0.48	0.8	30	2445	60½	57¾	57⅞	-⅞
34¼	28⅛	SvMstr	1.02	3.0	15	447	34	33½	34	+¼
6⅛	4½	ServMerch			11	1617	6	5¾	5¾	-⅛

NASDAQ NATIONAL MARKET

4 pm close June 20

AMEX PRICES

4 pm close June 20

AMERICA

Dow hurt by weak tech stocks, bonds

Wall Street

Tumbling technology stocks and weakness in the bond market sent shares lower across the equity market in midsession trading, *writes Lisa Bransten in New York.*

In early afternoon trading, the Nasdaq composite, which consists of about 40 per cent technology issues, was off 25.36 or 2.2 per cent at 1,153.91.

Since the Nasdaq set a record high of 1,249.15 on June 5, the index had fallen more than 95 points, or 7.6 per cent. The Pacific Stock Exchange technology index shed 2.3 per cent yesterday.

Among the biggest losers in percentage terms were America Online, off $3¾ or 8 per cent at $37⅞, Dell Computer, which shed $3⅜ or 6 per cent at $51, and Gateway 2000, off $2 or 6 per cent at $32⅝.

Microsoft and Intel, the two largest issues on the Nasdaq, were also weaker, retreating $2 to $119¾ and $1¼ to $70⅞ respectively.

IBM posted the biggest decline of the 30 companies on the Dow Jones Industrial Average, falling $2⅝ to $99⅝.

After moving as much as 32 points higher in the first 15 minutes of trading, the Dow surrendered its gain and by early afternoon the blue chip average was 8.87 lower at 5,639.48. The Standard & Poor's 500 also gave up an early rise and lost 2.64 at 659.22, and the American Stock Exchange composite dipped 2.85 to 586.08. Volume on the NYSE was 248m shares.

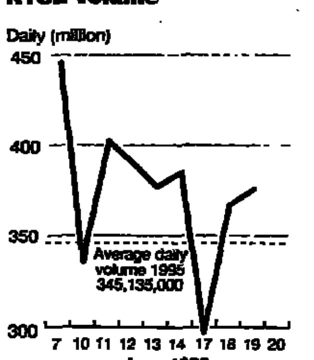
Worries about inflationary pressures sent bond prices lower at mid-morning and spilled over into shares after the Federal Reserve Bank of Philadelphia announced that its index of regional business activity jumped to 25.6 in June from 16 per cent in May.

The Dow did get support from some rising cyclical shares. Boeing added $1 at $85⅝ and United Technologies $1⅛ at $112⅝.

Elsewhere, Infinity Broadcast added $1⅛ or 4 per cent at $29⅞ on news that it had agreed to be acquired by Westinghouse Electric for about $31.55 a share. Westinghouse lost $⅞ at $18⅝ in the process.

Shares in Tenneco fell $⅞ or 2 per cent to $53⅜ on news that the company had agreed to sell its energy division to El Paso Natural Gas. El Paso moved ahead $3⅞ or 8 per cent to $37¼ on the news.

NYSE volume



Canada

Toronto was flat at midsession, having extended its three-day recovery into a fourth session in moderate early trade. The TSE 300 composite index was just 0.06 ahead by noon at 5,072.80 in volume of 40.2m shares.

Analysts noted that many investors were holding back, awaiting a raft of second quarter earnings reports. They added that Canada's April retail sales were flat at C$17.8bn while early indications for May pointed to a rise.

Bre-X Minerals was at the centre of attention, rising 40 cents to C$25.40 after a new calculation of the gold available in its huge Busang property in Indonesia pegged official reserves at 39m ounces.

Among actively traded issues, Transwest Energy picked up 2 cents to C$1.05.

Mexico turns back

Mexico City gave up an early advance by midsession and the IPC index of 37 leading stocks was down 16.86 at 3,193.97 in midday trade.

Analysts noted that trading volumes were light, adding that foreign investors appeared to be waiting for forthcoming second-quarter results before committing themselves.

The weakness coincided with Bear Stearns saying that Mexico's monetary policy was working well and was no longer the Achilles heel in the country's return to economic growth following the peso crash. It said that Mexico was using tight monetary policy to keep the peso strong and to ensure lower interest rates.

Nadro L shares were among the winners, up 4.6 per cent to 23 pesos, while airline stocks were among the losers.

SAO PAULO edged lower at midsession, although analysts said investors appeared content to overlook political setbacks, like the government's loss of another congressional vote on reforms. The Bovespa index shed 181.94 to 57,969.

Bullion price hits S Africa

Weakness in the bullion price and the emergence of foreign selling sent Johannesburg lower.

The overall index finished 24.5 down at 6,839.0, industrials lost 37.6 at 8,106 and golds gave up 29.4 to 1,803.2.

Against the trend, De Beers appreciated a further R1.75 to R142.75, taking its gain over the last two sessions to R5.50 after Wednesday's announcement of higher than expected first-half diamond sales by De Beers' Central Selling Organisation.

Liberty Holdings, the insurance and investment conglomerate, also bucked the weaker trend, advancing R7 to R362.

Among the gold mining issues, Vaal Reefs, where the death toll rose to three after an accident on Tuesday, fell R9.50 to R382.50.

Standard Bank was one of the few issues to escape a slide among financials, moving ahead R1.50 to R176.00.

EUROPE

German M3 growth rate hits bonds, and bourses

Germany's higher than expected M3 growth rate in May hit bond markets, and equities. Among senior bourses, PARIS took the worst beating with the CAC-40 index down 33.62 at 2,077.08 in heavy turnover of FFr6.93bn, although brokers noted that stocks going ex-dividend weighed upon the market.

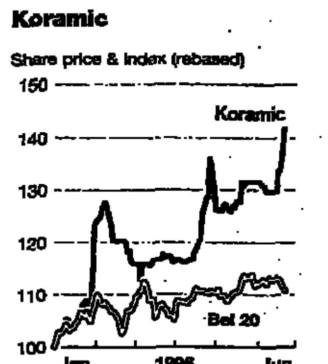
Early profit-taking drove Moulinex as low as FFr94 but the kitchen appliance group, up 21 per cent on Wednesday's celebration of its restructuring plans, however unpopular they were with the French government, recovered to close just 80 centimes down at FFr97.40.

The day's big losers covered a wide range, from financials such as Axa, off FFr5.90 at FFr278.60, through a conglomerate, Suez, down FFr6.50 at FFr197.90, to consumer stocks, where LVMH dropped FFr34 to FFr1,310 and Promodes, the much fancied retailer, by FFr72 to FFr1,322.

A couple of financials beat the trend, Bancaire climbing FFr6 to FFr579 and Crédit Local, which lends to local authorities, by FFr11.50 to FFr426. Even on a bad day, said one broker, some stocks still looked cheap.

BRUSSELS was driven lower by a final wave of 1995 dividend payments and a negative reaction to the disappointing German M3 data. The Bel-20 index fell 31.64 to 1,716.35, but an analyst noted that 10.6 points of the decline was attributable to dividend payouts.

Koramic



Source: FT Extel

Against the trend, the newly renamed Koramic, formerly Terca Brick Industries, added to Wednesday's 2.2 per cent rise with another of BFr80 at a record BFr1,900.

Koramic said on Tuesday that it planned to raise BFr5bn to fund expansion by issuing 1.7m new shares and 850,000 convertible bonds. That announcement came alongside news that the European Commission had cleared Koramic's planned link with the Austrian building products group Wienerberger Baustoffindustrie, into what would be the world's largest bricks group.

FRANKFURT held its ground for most of the day before tipping lower in the last hour, the Dax index closing 13.82 off at an Ibis-indicated 2,532.22 after the weakness in bonds filtered down into the equity market. Turnover fell from DM10.7bn to DM9.4bn.

MAN, the truckmaker and engineer also known for its printing machinery, was the prime victim of the day among Dax 30 constituents, falling DM12.90, or 3.4 per cent, to DM365.60. Mr Graham Phillips of James Capel downgraded the stock in March when it was priced at DM415, and said then that the share price floor could be between DM370 and DM380.

Yesterday, he said that there could, perhaps, be some further downside, since there had been more negative news on trucks, where MAN's market share had been falling, and it appeared that printing machinery orders had peaked out.

Elsewhere, Kaufhof and Asko fell DM10 to DM592 and DM25 to DM1,150 in a reaction to Wednesday's much bigger gains. Mr Harry Christopoulos at BZW in Frankfurt said that institutions, many of them in neither stock, were having to come to terms with the fact that Metro, into which both companies would soon be merged, would account for 2.5 per cent of the Dax 30 even after Deutsche Telekom was brought in.

FT-SE Actuaries Share Indices

Jun 20						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1685.16	1684.95	1686.03	1684.56	1684.08	1684.62	1685.30	1684.92
FT-SE Eurotrack 200	1722.91	1722.88	1722.42	1721.11	1720.88	1722.15	1721.43	1720.03
	Jun 19	Jun 18	Jun 17	Jun 14	Jun 13			
FT-SE Eurotrack 100	1686.41	1685.57	1681.90	1682.14	1691.65			
FT-SE Eurotrack 200	1725.18	1725.81	1724.19	1722.32	1731.23			

Base value 1000 (26/10/90); Highday: 100 - 1688.71; 200 - 1724.48 Lowday: 100 - 1683.89 200 - 1719.62. † Partial

ZURICH fended off pressure from today's futures expiry to close ahead, with much of the running again being made by the Novartis partners. The SMI index finished 11.8 higher at 3,655.4.

Ciba climbed SFr11 to SFr1,482 and Sandoz jumped SFr20 to SFr1,395, benefiting from a Merrill Lynch recommendation. Roche certificates, however, fell SFr45 to SFr9,420.

Insurance issues edged higher, led by Winterthur's SFr6 gain to SFr750.

AMSTERDAM's financials dragged it down, German M3 data being one factor and another, according to one dealer, being a note from ING Barings advising a temporary switch from high-growth stocks and financials into cyclicals.

In banks, ABN Amro receded Fl 1.50 to Fl 89.10, and ING by 70 cents to Fl 50.50; insurers saw Aegon and Fortis Amev down Fl 1.30 and Fl 1.10 at Fl 78.10 and Fl 48.10 respectively.

In industrials, the shipbuilding and engineering group IHC Caland dropped Fl 3 to Fl 79.50 on its plan to raise some Fl 170m, or $100m, through a share issue adding some 8.6 per cent to its equity base.

MILAN regained some ground lost in early trade to finish marginally higher, although some positive data on inflation, released late on Wednesday, was tempered by concern over the mini-budget which, employers and banks warned, could have an impact on borrowing costs.

The Comit index fell 2.12 to 669.54, while the real-time Mibtel index was 24 higher by the close at 10,693.

Banks were mostly lower on plans for a single withholding tax rate of 27 per cent on all bank deposits and certificates, regardless of maturity. BCI fell L74 to L3,198, Credito Italiano lost L60 to L1,850 and Ambroveneto gave up L50 to L7,664.

VIENNA's broad market fell for the standard reasons, the ATX index losing 9.69 at 1,101.36. But the leading faller, the chipmaker AMS, dropped Sch35 or 3.3 per cent to Sch1,010 for its own reasons, renewed concern about a US patent suit.

And VA Technologie, in the midst of an industrial espionage row with Kvaerner, of Norway, slid Sch19 to Sch1,304, down Sch150 in less than two months.

MOSCOW, once again, provided a range of index responses after President Yeltsin sacked three top hawks from the Kremlin. The most enthusiastic of them was the Moscow Times: frontrunner on the way up, on Tuesday, and on Wednesday, when it fell 6.35 per cent, the MTMS index rose 14.86 or 5.8 per cent this time, to 271.58.

Written and edited by William Cochrane and Michael Morgan

ASIA PACIFIC

Nikkei rebound on Bank of Japan interest rate denial

Tokyo

Interest rate worries depressed share prices for much of the day, but the Nikkei average closed marginally higher after the Bank of Japan denied that it was considering a tightening of its monetary policy, *writes Emiko Terazono in Tokyo.*

Active buying of blue chips left the 225 index up 69.94 at the day's high of 22,437.30. It had seen a low of 22,133.34 on the earlier interest rate speculation; on rumours of a possible coup in Russia; on the yen's appreciation against the dollar; and on a decline in government bonds.

Traders noted active selling by Salomon Brothers, but bargain hunting by foreign and domestic institutions pushed the Nikkei back into positive territory.

Volume totalled 429.7m shares, against 507.6m. The Topix index of all first section stocks rose 1.90 to 1,700.53 and the Nikkei 300 by 0.69 to 315.71. Declines led advances by 542 to 501, with 179 issues unchanged.

In London the ISE/Nikkei 50 index shed 1.40 to 1,504.54.

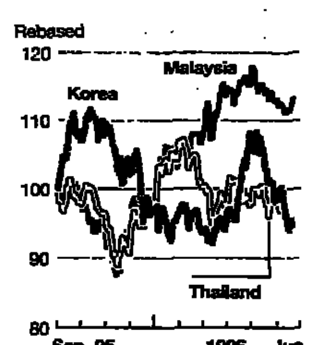
Leading companies were bought in each industrial sector. Kirin Brewery rose Y30 to Y1,360, Sekisui House by Y30 to Y1,300 and Bridgestone, the tyre maker, by Y40 to Y2,030.

Takeda Chemical, a leading drug maker, rose Y30 to Y1,930 on a steady flow of buying orders from foreign investors who were encouraged by the company's firm profits in spite of the government's clamp down on official drug prices.

Overseas demand pushed up car makers. Honda Motor rose Y10 to Y2,850 and Suzuki Motor gained Y30 at Y1,470. Steels were higher, but shipbuilders lost ground, with Mitsubishi Heavy Industries down Y6 at Y934.

Sumitomo Corporation, the trading company, shed Y10 to Y1,000 on reports that it would post losses for the current year to March, following the massive unauthorised copper trades by its former head of non-ferrous metals trading.

Asian indices



Source: FT Extel

Toshiba declined Y8 to Y757 on pessimism over semiconductor demand. Other high-technology stocks were mixed. Hitachi put on Y20 at Y1,040 and Fujitsu Y13 at Y994.

In Osaka, the OSE average rose 11.12 to 23,526.08 in volume of 37.8m shares.

Roundup

The Australian market leader BHP regained ground lost on profits downgrades and copper price volatility, and lifted sentiment in general, SYDNEY's All Ordinaries index closing 15.30 ahead at 2,248.50.

BHP, which had been depressed by the Sumitomo copper situation, and by warnings over margins in its steel division, accounted for almost a quarter of the market's A$1bn turnover as it registered its first rise this week, ending 17 cents firmer at A$18.23.

CRA and WMC responded to the firmer copper price, rising 13 cents to A$19.93 and 11 cents to A$9.27 respectively.

KUALA LUMPUR was led higher by a sharp rise in United Engineers – which operates the north-south expressway – on talk that a proposed rise in tolls had been approved.

United Engineers closed M$1.40 stronger at its high for the year of M$18.50 in volume of 7.5m shares.

The toll rumours sparked buying in other blue chips. Proton jumped M$1.90 to M$14.70 on rumours of better than expected results for the year to March 31.

The composite index closed 12.06 higher at 1,142.33.

Tiong Nam Transport again topped the actives list, rising M$1.05 to M$10.00 on continued takeover speculation.

SEOUL was weak on uncertainty over future market direction, but carmakers rebounded after being hit hard by strikes which have crippled large parts of the motor industry. The composite index lost 7.84 to 861.72 in weak volume of just 21.4m shares.

Hyundai Motor rose Won200 to Won30,600 in spite of worries that all production lines were likely to stop later in the day. Kia Motors added Won100 at Won14,800 as the company said that its operation might be back to normal on Friday.

Mando Machinery, the main components supplier of Hyundai Motor, went limit up to Won47,100, gaining Won2,600.

Among companies that announced rights or bonus issues, Juriwon Department Store fell Won400 to Won13,300, Dongbu Securities Won120 to Won9,300 and Hansol Telecom Won2,500 to Won60,000.

In the opposite direction, Haitai Electronics jumped Won600 to Won18,400 on news of a $1.8bn US order.

Brokers said some selective buying of small-cap shares – in environmental industries, merger and acquisition targets and pharmaceuticals – resulted in a total of 77 stocks going the day's limit up.

BANGKOK ended sharply down in thin trade as investors continued to offload shares on worries about macroeconomic fundamentals and the stability of the coalition government.

The SET index fell 12.06 to 1,241.45, with an absence of foreign buying, due mainly to the holiday in Hong Kong, contributing to the downbeat mood.

Bangkok Bank lost Bt2 to Bt234 in active trade, while Lam Soon, the palm oil refiner, made its debut at Bt35, the same as its IPO price.

DHAKA gained 3.2 per cent on the peaceful holding of elections in Bangladesh last week, and on the prospect of a stable government. The DSE all-share index climbed 30.16 to 969.94 in turnover of Tk65.9m, having risen from 859.88 on June 1.

Some brokers worried about weak economic fundamentals in the country, but others hoped that political stability would give the economy the boost it needed.

SHANGHAI's hard currency shares were easier in cautious trade, with investors waiting for clear direction from Shenzhen's B share market and stimulative measures from the Shanghai authorities.

BOMBAY featured State Bank of India, up Rs6.50 at Rs304 in record volume of 29.3m shares ahead of the bank's annual results which were being announced later in the day. The BSE-30 composite index rose 15.16 to 3,995.20.

● Hong Kong, Taipei and the Shenzhen B share market were closed.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JUNE 19 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JUNE 18 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (79)	201.16	0.2	193.19	137.50	159.03	169.68	0.2	4.34	200.82	192.87	137.06	158.15	169.31	212.18	163.30	164.51
Austria (25)	190.65	-0.7	183.10	130.31	150.73	150.66	-0.3	1.89	191.99	184.39	131.04	151.19	151.14	199.28	168.11	191.47
Belgium (27)	211.84	-1.0	203.46	144.90	167.48	163.49	-0.6	4.07	213.92	205.45	146.01	168.47	164.48	215.81	186.06	193.34
Brazil (28)	172.65	-0.1	165.82	118.02	136.50	318.31	-0.1	2.06	172.90	166.06	118.01	136.16	318.70	172.90	123.97	134.09
Canada (99)	161.08	0.5	154.70	110.10	127.35	159.49	0.5	2.39	160.32	153.97	109.42	126.25	158.78	165.12	134.14	143.96
Denmark (30)	299.92	0.1	288.05	205.00	237.11	238.87	0.4	1.89	299.70	287.84	204.55	236.02	237.99	305.17	276.05	276.20
Finland (23)	192.69	-0.5	185.06	131.71	152.34	187.84	-0.4	2.66	193.67	186.01	132.19	152.52	188.34	276.11	171.73	226.50
France (97)	195.30	-0.6	187.57	133.49	154.40	158.03	-0.3	3.04	196.44	188.66	134.07	154.70	158.53	198.39	167.70	183.76
Germany (60)	170.94	-0.1	164.17	116.84	135.14	135.14	0.3	1.84	171.11	164.33	116.78	134.75	134.75	174.38	155.66	159.33
Hong Kong (59)	426.33	-0.3	409.45	291.41	337.05	423.89	-0.3	3.36	427.76	410.83	291.96	336.87	425.12	451.19	348.81	364.19
Ireland (16)	289.21	-0.6	277.76	197.68	228.64	256.61	-0.5	3.34	290.82	279.31	198.49	229.03	258.00	290.82	232.90	232.90
Italy (59)	83.38	-0.1	80.08	56.99	65.92	95.55	-0.3	2.30	83.51	80.20	57.00	65.76	95.83	84.53	67.22	73.24
Japan (481)	157.59	-0.1	151.35	107.72	124.59	107.72	0.0	0.71	157.79	151.54	107.69	124.26	107.69	164.68	137.75	144.10
Malaysia (107)	556.02	0.8	534.01	380.06	439.59	533.86	0.8	1.69	551.36	529.53	376.31	434.21	529.91	585.09	425.77	541.44
Mexico (18)	1241.07	0.6	1191.94	848.31	981.18	10210.17	0.2	1.30	1234.29	1185.43	842.43	972.03	10193.49	1325.65	791.99	958.12
Netherland (19)	295.46	-1.3	283.77	201.96	233.59	229.88	-0.9	3.13	299.48	287.62	204.40	235.85	232.05	299.69	245.78	249.64
New Zealand (15)	78.85	-0.2	75.73	53.90	62.34	61.98	-0.2	4.38	79.03	75.90	53.94	62.24	62.12	85.49	75.94	78.74
Norway (35)	255.50	-0.6	245.38	174.64	201.99	225.82	-0.5	2.01	256.94	246.76	175.36	202.34	227.03	256.94	222.24	232.12
Singapore (44)	419.64	1.1	403.02	286.83	331.76	272.14	1.0	1.39	415.25	398.81	283.41	327.02	269.57	465.21	355.81	382.09
South Africa (45)	362.27	0.5	347.93	247.62	286.41	344.72	0.8	2.08	360.33	346.07	245.93	283.77	341.83	437.76	339.37	344.50
Spain (37)	182.02	-0.5	174.81	124.41	143.90	176.86	-0.3	3.18	182.99	175.75	124.90	144.11	177.48	182.99	145.15	146.78
Sweden (48)	356.27	-0.2	342.17	243.52	281.66	350.11	-0.1	2.43	357.02	342.88	243.67	281.16	350.51	360.77	264.99	264.99
Switzerland (38)	238.31	0.1	228.87	162.89	188.40	184.94	0.3	1.60	238.16	228.73	162.55	187.55	184.29	252.34	191.24	196.16
Thailand (46)	167.78	-0.4	161.14	114.69	132.65	164.75	-0.5	2.01	168.50	161.83	115.01	132.70	165.52	193.95	146.74	171.10
United Kingdom (200)	234.75	-0.1	225.46	160.46	185.59	225.46	-0.1	4.13	234.92	225.62	160.34	185.00	225.62	237.43	210.29	218.71
USA (627)	269.69	0.0	259.01	184.34	213.21	269.69	0.0	2.19	269.76	259.08	184.12	212.44	269.76	278.47	221.66	222.68
Americas (772)	246.42	0.0	236.67	168.44	194.82	207.16	0.0	2.19	246.44	236.68	168.20	194.08	207.19	252.43	203.00	203.89
Europe (714)	210.95	-0.3	202.60	144.19	166.78	184.74	-0.1	3.05	211.58	203.20	144.41	166.62	184.97	211.58	187.21	189.85
Nordic (136)	304.69	-0.2	292.63	208.27	240.89	263.74	-0.1	2.33	305.44	293.35	208.47	240.54	264.06	306.61	256.91	256.91
Pacific Basin (831)	169.98	-0.1	163.26	116.19	134.39	118.56	0.1	1.16	170.10	163.37	116.10	133.96	118.51	177.01	148.86	154.52
Euro-Pacific (1545)	186.95	-0.2	179.55	127.78	147.80	143.66	0.0	2.05	187.27	179.86	127.82	147.48	143.71	190.57	166.51	169.14
North America (726)	262.96	0.0	252.55	179.74	207.89	262.29	0.0	2.20	262.99	252.58	179.49	207.11	262.31	269.52	216.79	217.80
Europe Ex. UK (514)	192.77	-0.4	185.14	131.77	152.40	160.18	-0.1	2.47	193.57	185.91	132.12	152.44	160.42	193.57	169.65	170.16
Pacific Ex. Japan (350)	286.32	0.2	274.98	195.71	226.36	247.27	0.1	3.08	285.83	274.51	195.08	225.10	246.90	296.68	243.59	253.70
World Ex. US (1735)	188.14	-0.1	180.69	128.60	148.74	148.10	-0.0	2.06	188.40	180.94	128.59	148.37	148.11	191.55	167.36	169.99
World Ex. UK (2162)	211.07	-0.1	202.71	144.27	166.87	179.71	0.0	1.92	211.26	202.90	144.19	166.38	179.73	213.05	181.86	182.88
World Ex. Japan (1881)	244.14	-0.1	234.47	166.88	193.01	231.22	0.0	2.54	244.34	234.67	166.77	192.42	231.27	247.55	208.46	209.70
The World Index (2362)	213.21	-0.1	204.77	145.73	168.58	183.10	0.0	2.11	213.40	204.98	145.65	168.06	183.12	214.70	184.49	185.99

CONSTITUENT CHANGE WITH EFFECT 27/6/96: Deletion: Chargeurs (France). Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: How the concept of elitism can be used in fast-track careers

Promoting the stateless executive

Most societies have their military elites. Historically they have consisted of men who have been bred and trained to fight from childhood, who have been ready and willing to lay down their lives in service to an individual or cause, and who are therefore well positioned to reap the rewards of success in battle.

In different times and theatres, they were the Praetorian Guard, the Saxon housecarls or the Japanese Samurai. They were the knights who followed William the Conqueror and succeeded to the lands and titles of England and Wales. In some of these societies their ancestors are still powerful.

Traditionally business has been reluctant to promote elitism because it tends to set people apart and cause resentment among colleagues. The concept of the fast track, however, in which a few able young people are groomed for top jobs in accelerated promotion ladders, is well developed among some employers.

Research in the civil service has shown that those fast-track candidates who tend to perform most ably before their selection panels are usually consistently good performers throughout their careers. Another argument, though, suggests people develop at different rates and stages. Changing demands of the job may also favour different types of individuals who have been rejected previously. One business remaining faithful to a system of elitism that sets apart a small cadre of executives is Hong Kong and Shanghai Bank. Peter Kirk, head of group compensation, gave delegates at the Price Waterhouse Europe International Assignment Services conference in Rome last week a rare glimpse of the support arrangements for the cadre who all carry the title, international officer.

The 370 international officers at HSBC are treated as very special animals indeed. Typically, they are recruited at the age of 23, using a rigorous selection procedure, and finish their careers at the age of 53. In the 30 intervening years they may be expected to carry out a series of unusual assignments in difficult locations.

They will act as "firemen" (some 97 per cent of them are men), moving quickly to fill a key role, whether it involves opening a branch in Azerbaijan or acting as a stopgap when a top executive falls ill. They usually head up country operations or supervise branch openings or projects in new areas.

They are not typical bank expatriates and their packages reflect this. Since they must move anywhere without notice, and because they move many times, they tend to be treated as "stateless executives". British international officers are even treated as expatriates when working in their home country.

The bank is not prepared to entertain some of the newer developments in expatriate arrangements such as accommodating the careers of officers' partners. The officers' packages include just about every benefit in the book. Housing, schools, medical insurance and club subscriptions are all taken care of.

In developing countries their pay is deposited offshore and is always expressed as a net figure. Taxes are paid by the employer, pensions are given in a lump sum at the end of their career.

The package's generosity and the special status seem to pay off in retention rates. Turnover in officers is 2 per cent a year. Once an individual is recruited, he or she rarely drops out. Not surprisingly the majority of the bank's executive directors are former international officers and the bank chairman has been consistently selected from their ranks. The international officers, therefore, tend to have the ears of senior management, says Kirk. "They are an elite population," he says. "They do seem a bit of a club. Elitism does not sit comfortably with many organisations but it works."

Each year the bank has applications from about 2,500 graduates for between 15 and 20 vacancies. The job tends to be highly structured with about 15 grades. Courses, business training and feedback sessions are held regularly and executives are put through assessment centres three times in their careers.

Kirk says the system is not perfect and might benefit from some changes, such as a reduction in grades. But the officer cadre has a powerful voice – and in spite of the requirement for adaptability, has proved highly resistant to such change.

While the arrangements clearly suit the elite themselves, there must be a question over the way they are perceived by the rest of the bank's employees. I wonder how it is viewed in the single-storey sheds that house First Direct, the telephone banking business set up by Midland Bank, the HSBC subsidiary. Dispensing with offices and status symbols, First Direct has pioneered a management style that might be viewed as an antidote to elitism. That may demonstrate what a broad church the HSBC has become. Alternatively the differences in cultures between HSBC and Midland may be storing up personnel problems for the future.

The HSBC international officers are beginning to move into Midland. There, the system is still viewed with suspicion by some staff. One employee described the career of an international officer like this: "Effectively you are signing your life away. They seem to be looking for a certain type of person, not necessarily the leaders and innovators, but people who will toe the party line and preserve the HSBC way of doing things. It's like being in the army."

The comment does not seem entirely fair but it does suggest that the bank may need to review its system so that it meets the increasingly competitive demands of international banking. The retirement age may be something the bank should look at revising upwards, although Kirk points out that the early retirement is an attractive feature of the package.

HSBC's multifaceted expatriate package is becoming rarer among many employers. Deutsche Morgan Grenfell, for example, is moving away from that model. It has needed to go out into the market for talent, taking some of the best teams and individuals from competitors.

After a hectic and acquisitive recruiting spree which has seen DMG take teams and individuals from many of its competitors, Harald Stoehr, personnel director, says one of the biggest challenges was merging different cultures.

His tactic for international assignments has been to reduce the expatriate package rather than enhance it. The cost-of-living allowance has been removed, the mobility premium reduced and the housing allowance now requires a 20 per cent contribution from the individual. "We do not distinguish between working in Germany and working in Western European countries," Stoehr says.

One problem is harmonising packages for expatriates from different home bases. For instance, the salary packages of British, US and German staff in Singapore vary widely. The US individuals tend to earn the highest amounts and the Germans the lowest. This is because expatriate packages are geared to salaries in home countries.

While their approaches are quite different, both banks face increasing problems handling the tax and social security arrangements of staff who are constantly on the move. "Some of the key players are international by nature and you can't define what their home arrangements are," says Stoehr.

This might suggest it is time for some international tax convention fixing a global rate and apportionment for individuals with no national home base. Dick Barrell, a senior manager with PWE's International Assignment Services, says: "This is a fairly recent development but the pressure is building for some sort of action because more and more companies are moving away from traditional assignments towards job packages which must have mobility built into them."

Richard Donkin

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INTERNET leads the way in banking systems by providing solutions to the world's major banks. Open Link is a new product covering Treasury, Capital Markets, Derivatives, Commodities and Risk Management in a client/server environment to offer all the capabilities required by Trading, Management, Sales, Operations and Accounting. Open Link is a highly evolved system that fully and powerfully meets the needs of today's global financial community.

INTERNET has set up a new team to launch Open *Link in Europe*, and a Consultant is now required to work closely with clients at the practical implementation stage.

As part of the team, you will lead our client organisations through the analysis and interpretation of their requirements, and the fulfilment of those needs through the *Open Link system. With* responsibility for the success of the client's project, you will need to liaise effectively with the trading *room management* at the highest level to ensure their satisfaction.

A self-motivated and highly mobile individual, your relevant experience will have been gained either in a leading financial institution or in a specialist information systems company. Your experience will include:

- a knowledge of banking products, especially Derivatives and Risk Management theory
- front office installations
- project definition and management.

The successful candidate will need to travel extensively on a regular basis. This position commands an attractive, negotiable salary. Generous benefits include quarterly bonus, 25 days' holiday, medical and insurance package and an additional four week *sabbatical after four years' service. Most importantly,* you will be working in a small, highly-motivated team where your contribution will be highly valued.

Please write with full career details, including current salary, and quoting Job ref: OLPC, to **Employee Services – Europe, Internet Systems, Hollywood House, Church Street East, Woking, Surrey GU21 1HJ. Fax: 01483 740412.**

INTERNET
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Derivatives Broker - European Clients

Excellent Remuneration

To specialise in cross currency basis swaps. Based in the City of London serving European-wide client base. Must be French speaker.

For an immediate interview please contact Nigel Haworth. Tel: 0171 236 2400 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD. Fax: 0171 236 0316.

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Deloitte & Touche is part of the international network Deloitte Touche Tohmatsu International. We are one of the biggest and fastest growing professional services firms.

The consistently expanding Management Consulting Department is currently seeking highly qualified candidates for the positions of

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specializing in

- banking and finance
- different industry sectors
- corporate finance

The successful candidate will:

- have the willingness and capability to help create a market leadership for the consultancy practice;
- have a fluency in both Polish and English;
- have the ability to develop client contacts and deliver high quality work;
- be an excellent communicator;
- show drive and ambition for personal and professional development;
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The Firm offers:

- employment in an international environment;
- training and development;
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- attractive compensation package, commensurate with your skills and responsibilities.

The above positions offer an outstanding opportunity for those who want to respond to the many challenges which are provided by the marketplace at its stage of development. If you are interested please send your CV and application letter addressed to:

Mr. Colin Wilks, Partner in Charge
Management Consulting Department
Deloitte & Touche
ul. Grzybowska 80/82
00-844 Warszawa

Deloitte Touche Tohmatsu International

DIRECTOR OF FINANCE

A major medical specialty association located in Washington, D.C. seeks a highly qualified individual for the position of Director of Finance, to direct and administer the financial affairs of the association. The Director's responsibilities include managing and supervising the Division of Finance, which includes the Accounting Department, investment portfolio, pension plan, budget, and related activities. The Director reports to the Executive Director and is the principal contact for the Treasurer of this 34,000 member association.

Qualifications include Certified as a Public Accountant (CPA), 8 to 10 years of responsible management and accounting experience in a not-for-profit organization with a budget in excess of $15 million per annum, experience administering budget and retirement plans, and demonstrated excellence in interpersonal and communication skills. We prefer an individual who has been Director of Finance (or similar position) for a professional society or association in the health care industry, and who is familiar with American Fundware Software.

We Offer a very competitive Salary and benefit plan. Interested and qualified individuals should send their resume to:

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Manager, 11yrs Marketing and Sales experience in Multinational Advertising Agency, Bank, Companies. Seeks a challenge in a Financial Institution. Please Contact: Fax+39.2.33101268 or email: darcar@mbox.vol.it

Corporate Communications Manager

Our client is a global joint venture in the telecommunications sector. Amongst others, they provide data and voice transmission services for multinational businesses as well as international consumer services like calling cards. As a growing company in a very competitive environment, their European headquarters in Brussels are expanding, creating the new position (m/f) of a

Reporting to the Corporate Communications Director, his/her responsibilities will include:

- press relations in Europe in co-ordination with the team based in US and the Joint Venture's parent companies;
- creation and publication of external information materials;
- support of European part of global consultant relations programme;
- evaluation and implementation of sponsoring opportunities in Europe.

The successful candidate will be between 30 to 40 years old and will have a university degree with a minimum of 4 years experience in press relations in an international corporate environment.

The ideal candidate will be of English mother tongue and fluent in French and German, enjoy writing good texts, have political sensitivity and will be able to master complex situations and projects.

For this position, human openness, flexibility and adaptability to a multicultural environment, as well as outstanding communication skills are needed.

In return, the company offers an attractive salary package, as well as outstanding career opportunities in a fast-growing organisation and industry.

We look forward to talking to you about a fascinating communication challenge, but please apply only when you are seriously interested and correspond to the criteria mentioned above.

Interested applicants can send their detailed curriculum vitae *with photograph to our* advertising agency, Universal Communication, chaussée de La Hulpe 154, 1170 Brussels, who will centralize and forward them confidentially. Please indicate on the envelope the reference nr 315.

EMERGING MARKETS

We, as a leading International Money Broker, are looking for an individual to join our Emerging Market Department specialising in Central and Eastern Europe.

The ideal applicant should have a sound knowledge of the Foreign Exchange and Derivative markets.

Obviously fluency in the language of the Czech and Slovakian Republics and English language is essential, as is an enthusiastic attitude and outlook towards this emerging market region.

Write to Box A5881, Financial Times, One Southwark Bridge, London SE1 9HL

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We require experienced salespeople for our Kuala Lumpur office. The successful candidate(s) must have an established institutional client base as well as the knowledge of the Malaysian stockmarket.

Please reply to James Hay or Choong Khuat Hock by:-
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Fax: (603) 202 5048
Post:- Institutional Dealing & Research Division
29th Floor, UBN Tower Jalan P Ramlee
50250 Kuala Lumpur

All applications will be treated in the strictest confidence

THE DEPARTMENT OF TRANSPORT

FINANCE DIRECTOR
CIVIL AVIATION AUTHORITY

Part-Time - Average 2 days per week

Pro rata to circa £90,000 pa (negotiable) **London**

The Civil Aviation Authority (CAA) is both a public service enterprise and a regulatory body. It has an income of £590 million per annum and employs some 6500 people, the majority in its subsidiary company, National Air Traffic Services Ltd (NATS). In addition to NATS the CAA comprises a Safety Regulation Group, an Economic Regulation Group and some central functions.

The Finance Director will be a member of the Board of the CAA and responsibilities will include:

- oversight of preparation of the CAA financial results and Annual Report and Accounts;
- provision of financial advice to the Board to enable it to carry out its statutory responsibilities;
- management of the Authority's central finance activities;
- being a non-executive member of the NATS Board.

We are seeking a fully qualified accountant, who has substantial experience as a finance director in a significant public or private sector organisation, ideally a leading publicly quoted company. Knowledge of public sector finance is desirable.

The appointment, which is likely to be of interest to candidates seeking a second career opportunity, is for an initial period of three years and is pensionable.

Interested candidates are invited, in complete confidence, to telephone Roy Blackwell or Andy Tindall at the Department of Transport, for further details. A full CV should be submitted to Roy Blackwell at the Department of Transport, Zone 2/33, Great Minster House, 76 Marsham St, London SW1P 4DR, by 4 July 1996.

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The London office interacts on a regular basis with the world-wide network of offices and a large proportion of the deals are of a cross-border nature. Whilst encouraging a team orientated environment, individuals will be rewarded for contributing originality and creativity.

Applicants are invited from newly/recently qualified ACAs who can demonstrate an excellent academic track record, strong technical and analytical skills and an ambitious yet mature personality.

To discuss these opportunities in greater detail, please contact Jayne Bowtell or Richard Gander on 0171-405 4161. Alternatively send your CV to the address below.

FMS, 5 Bream's Buildings
Chancery Lane, London EC4A 1DY
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In your early to mid 30's, you are likely to be either a graduate qualified Accountant with considerable post-qualification experience within Financial Services or from a Financial Services Group within the profession, or a banking professional with audit experience who is seeking to develop your career. The work is immensely challenging and dynamic in nature and therefore enthusiasm, self-motivation and creativity are as important as technical and analytical ability. You will also be able to demonstrate excellent communication and people management skills.

The significance of this position cannot be underestimated and career advancement within the group is assured upon success.

For further information in the strictest confidence, contact Ms Caroline Ford on 0171 240 1040 citing reference no. 2115/27. Alternatively, send or fax your résumé on 0171 240 1052 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN.

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INTERNATIONAL

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Reporting to the Head of the Department, you will be required to plan and direct the process by which the Department assesses the way all significant operating risks are managed and controlled.

As well as Audit Management responsibilities you will work with the Head in the day to day management of the Department and take responsibility for staff development and team building.

Ideally you should have Audit experience in Card operations, possess appropriate professional qualifications, and have spent some time in a management capacity.

An attractive salary and benefits package will reflect your potential.

If you believe you've got what it takes to meet this exciting challenge, then please write to Annabelle Thornton at the address below before 27/6/96.

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Following a series of promotions to senior line management positions, the team requires 2 additional members, who should be ambitious, bright young ACAs from a major practice. A good degree is essential, together with WP and spreadsheet skills and the ability to communicate effectively both orally and in writing. Successful candidates will probably have 2-3 years' pqe, but exceptional recently qualifieds will be considered. French, German or Spanish language skills would be an added advantage but are not essential; more important is the flexibility to be an effective team player yet be strongly self-motivated.

Career prospects in this growing, international environment are excellent and the rewards outstanding. The company operates a comprehensive training and development programme and in addition to an attractive salary and fully expensed car, benefits include health insurance, share option saving schemes and 5 weeks' holiday.

Interested applicants should post or fax a full CV quoting ref 161 to the address/fax number below. For more information contact us on 0171 242 9191 or during the evenings and weekends on 0171 231 8272 or 0181 607 9621.

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Send detailed C.V. along with recent photograph, copies of qualifications, experience certificates, and reference letters, within 3 weeks to:

Head of Administration
Institute of Banking Studies
PO Box 1080
13011 - Safat, Kuwait

COOPERHEAT

FINANCIAL DIRECTOR (DESIGNATE) - NORTH WEST REGION

We are the UK based head office of an international group, recognised as a world leader in our technically specialised, site services industry.

Reporting to the Managing Director of the UK operating company you will be responsible for day to day financial management and control together with company secretarial functions but will be expected to rapidly expand your influence to include participation in the strategic development of the business across all disciplines. The opportunity will exist for subsequent appointment to the Board of the International Group company, with additional responsibility for co-ordination of financial planning and reporting within the group.

Candidates must be qualified accountants, ambitious and self-motivating with a practical, communicative style. Able to quicly master detail to effectively manage the function and then to further develop the department to improve the quality and timeliness of reporting and control. A hands on, committed approach to this challenging opportunity, within a successful and progressive organisation, will be essential. In return a salary of £32k-£35k with an excellent benefits package is envisaged.

Applications, to include a hand-written covering letter, curriculum vitae and detailed salary history, should be marked confidential and submitted to:

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For further information please call:

Andrew Skarzynski
on
+44 0171 873 4054

Toby Finden-Crofts
on
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For further information please call: Robert Hunt on +44 0171 4095